

**SBCERA Board Policies**

<b>POLICY CATEGORY</b>	<b>POLICY NO.</b>	<b>POLICY NAME</b>	<b>DATE APPROVED</b>	<b>ISSUE NO.</b>
<b>GENERAL</b>				
<b>Not Valid – Do Not Use this Policy</b>	001	<b>Mission Statement</b> <i>(*fka Purpose Statement)</i>	Board Rescinded 09/05/2019	1.0* 2.0
	002	Statement of Governance Principles and Code of Ethics  <i>(*fka Statement of Governance Principles)</i>	09/02/2004 08/03/2017 10/05/2017	1.0* 2.0 3.0
Do not Use this Policy – See Board General Policy No. 002 (Issue 2.0)	003	<b>Code of Ethics</b> <i>Board Recategorized As an Attachment to General Policy 002</i>	08/03/2017 – <b>Repealed</b>	1.0
	004	Closed Session Minutes	09/02/2004 03/05/2015	1.0 2.0
	005	Policy on SBCERA Governing Documents  <i>(*fka Periodic Review of Board Policies)</i>	09/02/2004 07/01/2010 11/02/2017	1.0* 2.0* 3.0
	006	Board of Retirement Elections  <i>(*fka Election of Board Members)</i>	09/02/2004 07/02/2015 05/05/2016	1.0* 2.0 3.0
	007	Elected Trustee Duty Time	09/02/2004	1.0
	008	Membership Mailings  <i>(*fka Membership Mailings – During Trustee Elections)</i>	09/02/2004* 10/02/2008* 07/02/2015 11/01/2018	1.0 2.0 3.0 4.0
	009	Building Security Policy  <i>(*fka Security Policy)</i>	09/02/2004 11/02/2017	1.0* 2.0
	010	Pre-Funding of Contributions	04/06/2006 07/06/2017	1.0 2.0
	011	Disruptive Event Policy	07/06/2006 11/02/2017	1.0 2.0
	012	Public Comment – Addressing the Board	05/04/2006 03/05/2015	1.0 2.0

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	013	Legal Representation of Trustees and Employees of SBCERA	07/02/2009	1.0
<b>Not Valid – Do Not Use this Policy</b> (See General Board Policy No. 019)	014	Protection and Confidentiality of Information Stored on Mobile Computers	Board Rescinded 11/02/2017	1.0
<b>Not Valid – Do Not Use this Policy</b> (See General Board Policy No. 019)	015	Mobile Computer Device Connection Policy	Board Rescinded 11/02/2017	1.0 2.0
	016	Solicitation Policy	08/07/2014	1.0
<b>Not Valid – Do Not Use this Policy</b> (See General Board Policy No. 019)	017	SBCERA Issued Mobile Computing Device Policy	Board Rescinded 11/02/2017	1.0
	018	Oath of Office	05/05/2016	1.0
	019	SBCERA Technology Assets	11/02/2017	1.0
	020	Participating Employer Termination and Terminal Funding Obligation	09/05/2019	1.0
<b>INVESTMENTS</b>				
	001	Investment Plan, Policy and Guidelines	03/04/2010 07/07/2016 06/01/2017	1.0 2.0 3.0
	002	Informed Rebalancing/Tactical Asset Allocation Policy (*fka Rebalancing Policy)	03/03/2005* 10/14/2008 05/03/2018	1.0 2.0 3.0
	003	RFP Search Policy  (*fka Standard RFP Search Policy)	03/03/2005* 07/06/2017	1.0 2.0
<b>Not Valid – Do Not Use this Policy</b>	004	Alternative RFP Search Policy	Board Rescinded 07/06/2017	1.0 2.0
	005	Securities Lending	03/03/2005 06/01/2017	1.0 2.0
	006	Manager Termination Criteria	03/03/2005*	1.0

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		(*fka Manager Termination Criteria Policy)	10/05/2017	2.0
	007	Due Diligence Policy	03/04/2010 01/08/2015 08/02/2018	1.0 2.0 3.0
	008	Securities Litigation Policy	03/03/2005 03/04/2010 02/05/2015 09/06/2018	1.0 2.0 3.0 4.0
	009	Proxy Voting Policy	03/03/2005 11/03/2005 10/07/2010 08/06/2015 11/01/2018	1.0 2.0 3.0 4.0 5.0
	010	Insurance for Investment Managers	03/04/2010 06/07/2018	1.0 2.0
	011	Commission Recapture Policy	03/03/2005 10/05/2017	1.0 2.0
	012	Asset Transition Policy	03/03/2005 10/05/2017	1.0 2.0
	013	Fiduciary Duty of Investment Managers	03/01/2007 06/01/2017	1.0 2.0
	014	Participation on Advisory Committee/Boards	04/05/2007 06/04/2015 09/06/2018	1.0 2.0 3.0
	015	Transactions with Former Board Members and Officers of SBCERA	10/02/2008 10/05/2017	1.0 2.0
	016	Disclosure of Placement Agent Fees, Gifts and Campaign Contributions	03/04/2010 10/05/2017	1.0 2.0
	017	Alternative Investment Structures	08/09/2010	1.0

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			09/06/2012 05/03/2018	2.0 3.0
	018	International Swap Dealer Association Agreements and Prime Broker Agreements	08/09/2010 12/07/2017	1.0 2.0
	019	Counterparty Risk Policy	11/01/2012 12/07/2017	1.0 2.0
	020	Real Estate Investment Objectives, Policies and Procedures	10/02/2014 01/04/2018 01/04/2018	1.0 2.0 2.0.1
	021	Requests for Personally Identifiable Information	08/04/2016 07/11/2019	1.0 2.0
<b>BENEFITS</b>				
	001	Payment of Survivors' Allowances	12/02/2004 08/05/2010 02/01/2018	1.0 2.0 3.0
<b>Not Valid – Do Not Use this Policy</b>	002	<b>Payment of Interim Benefits/Nonservice-Connected Disabilities Pending Appeal</b>	<b>Board Rescinded 11/01/2018</b>	<b>1.0</b>
<b>Not Valid – Do Not Use this Policy</b>	003	<b>Discretionary Retiree Subsidy</b>	<b>Board Rescinded 11/01/2018</b>	<b>1.0 2.0 3.0 4.0</b>
<b>Not Valid – Do Not Use this Policy</b>	004	<b>Supplemental Subsidy – for COBRA Benefits</b>	<b>Board Rescinded 01/07/2010</b>	<b>1.0</b>
	005	Additional Retirement Credit (ARC) under Govt. Code Sections 31658 and 7522.46 <i>(*fka Purchase of Additional Retirement Credit Under 31658 Policy)</i>	12/02/2004* 06/06/2013 11/01/2018	1.0 2.0 3.0
<b>Not Valid – Do Not Use this Policy</b>	006	<b>Extensions of Time for Reconsideration of Disability Retirement Applications</b>	<b>Board Rescinded 11/01/2018</b>	<b>1.0</b>
	007	Release of Cautionary Reports of Psychiatric Evaluations	12/02/2004 02/01/2018	1.0 2.0

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Not Valid – Do Not Use this Policy	008	Uncontested Disability Cases	Board Rescinded 11/05/2015	1.0
	009	Retiree Payroll Deductions and the Assignment of Benefits	12/02/2004 04/06/2006 03/04/2010 09/05/2013	1.0 2.0 3.0 4.0
	010	Payment of Benefits in Relation to Community Property Law  (*fka - Payment of Benefits after Joinder in Domestic Relations Action)	12/02/2004* 09/06/2018	1.0 2.0
Not Valid – Do Not Use this Policy	011	Disability Applicant – Mileage Reimbursement	Board Rescinded 01/08/2015	1.0
Not Valid-Do Not Use This Policy	012	Disability Presumption	Board Rescinded 01/03/2008	1.0
	013	<i>[Reserved] Not Yet Assigned</i>		
Not Valid – Do Not Use this Policy	014	Effective Date for Disability Retirement Benefits	Board Rescinded 03/05/2015	1.0
	015	Disability Applicant – Independent Medical Examination (IME)	01/08/2015 11/01/2018	1.0 2.0
	016	Standard for Determining Whether a Member is “Incapable” of Gainful Employment	06/04/2015 03/07/2019	1.0 2.0
Not Valid – Do Not Use this Policy	017	Required Minimum Distribution Rules	Board Rescinded 08/01/2019	1.0
Not Valid – Do Not Use this Policy	018	Compensation Limit	Board Rescinded 08/01/2019	1.0
Not Valid – Do Not Use this Policy	019	Rollovers	Board Rescinded 08/01/2019	1.0
Not Valid – Do Not Use this Policy	020	Internal Revenue Code §415 – Annual Limits	Board Rescinded 08/01/2019	1.0 2.0
	021	Distribution Restrictions	08/06/2015 08/01/2019	1.0 2.0

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POLICY CATEGORY	POLICY NO.	POLICY NAME	DATE APPROVED	ISSUE NO.
<b>Not Valid – Do Not Use this Policy</b> (See Benefits Policy No. 029)	022	Standard for Determining Whether a Minor Child is “Regularly Enrolled” as a Full-Time Student	Board Rescinded 09/05/2019	1.0
	023	Adjustment to the Pensionable Compensation Limit Policy	01/07/2016 11/07/2019	2.0 3.0
	024	Benefits Administration Procedures	05/03/2016 01/09/2020	1.0 2.0
	025	Requests and Appeals for Pension Benefits  <i>(*fka Requests for Pension Benefits and The Presentation of Supporting Information)</i>	05/03/2016* 11/07/2019	1.0 2.0
	026	Compensation Earnable and Pensionable Compensation	05/03/2016 03/07/2019 03/07/2019	1.0 2.0 2.0.1
	027	Contributions	05/03/2016 01/09/2020	1.0 2.0
	028	Processing SBCERA Employees and Trustees and Their Immediate Family Members Disability Retirement Applications and Related Appeals	12/06/2018	1.0
	029	Standard for Determining the Eligibility of a Continuance for a Survivor Benefit	09/05/2019	1.0
	030	Reciprocal Disability Retirement Benefits	03/07/2019	1.0
	031	Tax Compliance	08/01/2019	1.0
	032	Retirees Returning to Work	01/09/2020	1.0
	033	Felony Forfeiture of Benefits	01/09/2020	1.0

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<b>EDUCATION AND TRAINING</b>				
	001	Trustees Education / Training Policy	10/07/2004 10/02/2008 04/25/2011 11/01/2012 03/03/2016 05/02/2019	1.0 2.0 3.0 4.0 5.0 6.0
	002	Staff Education/Training, Travel and Expense Policy  <i>(*fka Staff Education/Training Expense Policy)</i> <i>**Issue 5.0 – approved, not distributed</i>	10/07/2004* 10/02/2008* 04/25/2011* 03/03/2016 03/01/2018** 05/02/2019	1.0 2.0 3.0 4.0 5.0 6.0
	003	Trustees Travel and Expense Policy  <i>(*fka Trustee Expense Policy)</i>	11/01/2012* 03/03/2016* 04/04/2019 11/07/2019	1.0 2.0 3.0 4.0
	004	Gifts of Food and Drink Policy	05/01/2014 06/06/2019	1.0 2.0
<b>ACTUARY AND AUDIT</b>				
	001	Audit Policy – Actuarial Audit	12/02/2004 11/01/2018	1.0 2.0
	002	Interest Crediting Procedures and Undesignated Excess Earnings Allocation	01/06/2005 06/07/2012 11/01/2018	1.0 2.0 3.0
	003	Actuarial Funding Policy	03/13/2012 11/01/2018	1.0 2.0
	004	Audit Committee Charter	03/01/2018	1.0
	005	Internal Audit Charter	03/01/2018	1.0

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<b>ADMINISTRATION</b>				
<b>Not Valid – Do Not Use this Policy</b>	001	Surplus Property Policy	Board Rescinded 07/01/2016	1.0
	002	Subrogation Actions	11/04/2004 11/01/2018	1.0 2.0
<b>Not Valid – Do Not Use this Policy</b>	003	Review of Executive Director for Time, Attendance and Expenses	Board Rescinded 11/05/2015	1.0
	004	Reproduction Charges	11/04/2004 01/05/2012 11/01/2018	1.0 2.0 3.0
	005	Records Retention Policy	11/04/2004 04/07/2011	1.0 2.0
<b>Not Valid – Do not Use this Policy – See CEO Policy No. 030</b>	006	Comprehensive Annual Financial Report – Available for Public Inspection	Board Recategorized 01/09/2020	1.0 2.0
	007	Presentment of Claims	04/05/2007 11/01/2018	1.0 2.0
<b>Not Valid – Do Not Use this Policy</b>	008	SBCERA Privacy And Confidentiality Policy	Board Rescinded 11/07/2019	1.0
	009	Correcting & Reissuing 1099R's	01/03/2008 03/07/2019	1.0 2.0
<b>Not Valid – Do Not Use this Policy</b>	010	Electronic Board and Committee Agenda Materials Policy  <i>(*fka Proper Handling and Security for SBCERA Electronic Correspondence and Board and Committee Agenda Materials)</i>	Board Rescinded 11/07/2019	1.0* 2.0
	011	Policy for Procurement Other Than Investment Management Services  <i>(*fka Alternative Vendor Selection Policy)</i>	10/06/2011* 08/03/2017	1.0 2.0
<b>Not Valid – Do not Use this Policy – See Board Benefits Policy No. 023</b>	012	Adjustment to the Pensionable Compensation Limit Policy	Board Recategorized 01/07/2016	1.0
	013	Expenditure Budget Approval Policy	05/01/2014 10/01/2015 04/07/2016	1.0 2.0 3.0



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<b>Not Valid – Do not Use this Policy – See CEO Policy No. 023</b>	014	Background and Reference Checks Policy	Board Recategorized 01/09/2020	1.0
<b>Not Valid – Do not Use this Policy – See Board Benefits Policy No. 032</b>	015	Retirees Returning to Work	Board Recategorized 01/09/2020	1.0 2.0
	016	SBCERA Position Dual-Fill	10/01/2015 04/04/2019	1.0 2.0
	017	Policy on Consent Agendas	11/05/2015	1.0
	018	SBCERA Staff Performance Evaluation and Planning (PEP) Policy	11/05/2015 04/04/2019	1.0 2.0
	019	Capital and Controlled Assets Policy <small>*04/07/2016, Board Approved Issue 1.0 effective 07/01/2016; on 05/05/2016 Board approved Issue 2.0</small>	07/01/2016	2.0*
<b>Not Valid – Do not Use this Policy – See Board Benefits Policy No. 033</b>	020	Felony Forfeiture of Benefits	Board Recategorized 01/09/2020	1.0
	021	Handling of Personally Identifiable Information (PII)	11/07/2019	1.0



**POLICY NO.**  
**By:**  
**Policy Category**  
**Approved.**

001  
Admin Committee  
General

**Issue No.** 2.0  
**Effective Date:** 05/05/2016  
**Page(s)** 1

By: 

Chairman of the Board

**Subject: MISSION STATEMENT**

**MISSION STATEMENT**

It is the mission of the San Bernardino County Employees' Retirement Association (SBCERA) to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.

It is the responsibility of those charged with administration of SBCERA to:

- (a) effectively collect contributions to fund liabilities incurred,
- (b) diversify the investments of the system, so as to minimize the risk of loss and to maximize the rate of return,
- (c) administer the benefits impartially, fairly and in accordance with the applicable law,
- (d) deliver service to the membership in an accurate, courteous, prompt professional and cost-efficient manner,
- (e) minimize employer contributions, and
- (f) strategically plan for the future.

**RESCINDED BY BOARD on 09/05/2019**



**POLICY NO.**  
**By:**  
**Policy Category**  
**Approved.**

002  
Admin Committee  
General

**Issue No.** 3.0  
**Effective Date:** 10/05/2017  
**Page(s)** 12

By: *Rouie Fiorino*  
Chair of the Board

**Subject: STATEMENT OF GOVERNANCE PRINCIPLES AND CODE OF ETHICS**

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## **STATEMENT OF GOVERNANCE PRINCIPLES AND CODE OF ETHICS**

To ensure that the accountability and authority for governance and management of the San Bernardino County Employees' Retirement Association (SBCERA) is clearly stated, the Board of Retirement (Board) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Board Chair, the Board Vice Chair, Board Committees, Committee Chairs, Board Members, and the Chief Executive Officer (CEO).

### **I. The Board's Role**

All authority granted by the California Constitution and state statutes to the Board is retained, except as delegated by specific action. Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that SBCERA is appropriately administered and its fund assets managed. With the overriding goal of protecting Fund assets, the Board's role is to:

#### **A. Adopt and Monitor Policies**

1. Set and oversee the long-term strategic objectives for SBCERA as recommended by the CEO or initiated by the Board, focusing on the goals against which its performance is measured and monitored.
2. Set and oversee policies for SBCERA focusing on:
  - (a) General governance
  - (b) Investments
  - (c) Benefits
  - (d) Education and training
  - (e) Actuary and audit
  - (f) Administration

3. Select, regularly evaluate, and, provide regular management oversight of the CEO and Chief Counsel.
4. Delegate execution of established Board policy and strategic objectives to the CEO, and through him or her to his or her designees.

**B. Review and Evaluate Performance of the Fund**

1. Monitor performance and regularly review results as compared to:
  - (a) SBCERA mission statement
  - (b) Strategic plan and other long-range goals
  - (c) Performance measures as established by the Board that include external and internal measures.
2. Benchmarking and incorporating measures that, if realized, clearly position SBCERA within the top quartile of comparable funds while moving toward fully funded status.
3. Strive to plan for senior management succession.
4. Review prior to adoption, approve, and monitor actuarial data and assumptions.

**C. Review and Evaluate Financial and Administrative Operations**

1. Review and approve the annual budget.
2. Ensure the integrity of the financial control reporting system and pension administration system through the engagement and oversight of independent auditors.
3. Oversee all financial and compliance audits, including approving the outside auditor, and assure that financial controls are adequate.
4. Monitor member and beneficiary satisfaction.
5. Monitor staff satisfaction and engagement.

**D. Closed Sessions**

The Board will meet in closed session where authorized by law, and when needed, including, but not limited to, meeting at least annually to review the performance of the CEO and Chief Counsel.

**E. Other Board Responsibilities**

1. At all times ensure that Board members fully comply with ethics, gift, reporting, and education laws and policies. To further the fulfillment of this duty, the Board has adopted a "Code of Ethics," which is attached as Exhibit 1 to this Policy.
2. Identify, articulate, prioritize and schedule matters the Board will regularly address.
  - (a) Create an annual schedule for its meetings.
  - (b) Identify benchmarks that trigger Board review.
  - (c) Identify information needs and determine how, when and in what form information is to be delivered to Board members so as to enable the Board to meet its responsibilities, having regard for time available.
  - (d) Provide for items to be placed on the agenda in the following manner:
    - (i) The Chair may place an item for discussion, either at the initiation of staff or on his or her own initiative.
    - (ii) Any two or more Board members, including alternates, may place an item for discussion, by joint request to the Chair, which may be made either during an official meeting, or in other communication so long as such communication complies with the Ralph M. Brown Act. Such joint requests made outside of official meetings may be made directly to the Chair, or to the Chair through the CEO or Chief Counsel. In the event of such joint request, the Chair shall place the item on an appropriate agenda, but shall exercise reasonable discretion as to when the item will be considered, whether the item shall first be considered by a

committee, and if so, which committee shall consider the item.

3. Be responsible and accountable to members, their beneficiaries, their representative organizations and all participating public employers.
  - (a) Monitor relations and provide regular periodic communications with members, beneficiaries, their organizations, and others with oversight interests.
  - (b) Coordinate with staff to provide for the election of employee and retired representatives on the Board.
  - (c) Conduct member hearings and provide for formal administrative appeals.
4. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee level and between the Board and senior management.
5. The Board shall exercise the prerogatives of the client with respect to legal matters, whether carried out by Chief Counsel and his or her subordinate attorneys or by outside counsel, but may delegate the exercise of such prerogatives as appropriate. The Board shall select outside counsel where appropriate, in consultation with the CEO and Chief Counsel.
6. The Board shall establish and communicate Board policies and priorities and then monitor performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires discipline by the Board as a body and by individual Board members to live by the policies articulated herein and to govern with excellence.
7. Institute policies and procedures regarding legislation (federal and/or state), corporate governance, and shareholder voting.

## **II. Board/CEO Relationship**

The Board has delegated to the CEO the responsibility for the day-to-day administration and management of SBCERA. Policy and direction set by the Board is implemented through the CEO so that a strong relationship between the Board and CEO exists. A clear delineation of authority is critical to the accomplishment of the Board's objectives.

**III. Individual Board Member Responsibilities**

- A. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to SBCERA shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information.
- B. At all times individual Board members shall act in the best interest of SBCERA's members and plan sponsors, and consistent with their fiduciary duties, applicable law, and SBCERA's By-Laws and policies. Individual Board members shall act in the collective interests of all of SBCERA's members, beneficiaries, and plan sponsors, without regard to which constituency or authority elected or appointed them.
- C. Individual Board members shall not unilaterally make commitments or representations, nor give the appearance of doing so to any external party, unless specifically authorized or directed by Board action.
- D. Individual Board members are not to become involved in operational management, except as requested by the CEO or specifically directed by the Board. For purposes of this Policy, "operational management" shall mean the carrying out of any duty, function or task by management, staff, vendor, consultant, contractor or other party on behalf of SBCERA and consistent with the delegation, general direction, and vision of the Board.
- E. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts or actions proposed to be taken by SBCERA directly to the CEO.
- F. Whenever the Board or the CEO is involved in the selection or employment of advisors, managers, consultants, contractors and vendors, individual Board members shall not communicate with regard to that contract with any person who may be under consideration in such a selection or hiring process prior to the consideration of the actual selection or hiring at an agendaized public meeting.
- G. Prepare for meetings by familiarizing themselves with the material to be covered on the agenda.

#### **IV. Chief Executive Officer Authority**

The Board has delegated to the CEO responsibility for the administration and management of SBCERA consistent with Board policy and delegation of authority. This includes broad responsibility for: (1) investment decisions and the hiring of outside advisors and asset managers, as delegated; (2) hiring, supervising, monitoring, evaluating, and, when necessary, taking disciplinary action or terminating staff as delegated; (3) services to members and beneficiaries; (4) budgeting; (5) government affairs/media relations; (6) employee training and development; (7) succession planning; and (8) actuarial valuations.

The CEO's duties are defined by the Board and include the following:

- A. With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for SBCERA by the Board, including as necessary:
  - 1. Determining the appropriate methods for attaining the Board-established policies and strategic objectives.
  - 2. Directing SBCERA employees in furtherance of those objectives.
  - 3. Ensuring that management activities and decisions are within Board-approved policies.
  - 4. Developing and implementing plans for senior management succession.
- B. Represent SBCERA, or designate other staff representatives, to outside parties and organizations, including serving as primary and sole spokesperson for SBCERA to the public and/or media, except:
  - 1. To the extent he or she delegates a specific matter to a member of the staff; or
  - 2. When the Board determines that the Chair or another specified Board member should serve as spokesperson on a particular matter.
- C. Provide leadership to SBCERA employees in terms of collegiality and ethical conduct.
- D. Act as the liaison for communication and information flow between the Board and SBCERA employees.



- E. Sign all documents, including contracts, necessary to carry out any decision, including investment decisions, made or approved by the Board, and any other decision made or approved by the CEO pursuant to a delegation of authority granted by the Board to the CEO for such decision.
- F. With input from the Board regarding the frequency, subjects and format of information to be provided to Board members and Committees prior to meetings, ensure that information is comprehensive and timely.
- G. Provide the Board regular reports as directed, to enable the Board to monitor member and beneficiary satisfaction and employee satisfaction and engagement.

**V. Board Chair Authority**

The Board Chair's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The Chair's specific duties, delegated by the Board, are to:

- A. Provide leadership to the Board in terms of collegiality and ethical conduct.
- B. Ensure that Board operations and Board members' activities are consistent with its own policies and those legally imposed upon it from outside SBCERA.
- C. Work with the CEO to develop and approve the Board agenda prior to each meeting, considering input and requests from Board members, articulating, prioritizing and scheduling agenda items as appropriate.
- D. Conduct Board meetings, controlling the process of Board deliberations pursuant to any rules that may be adopted by the Board.
  - 1. Limit meeting discussion content to those issues that, according to Board policy, are within the Board's responsibility and have been properly agendaized pursuant to the Ralph M. Brown Act.
  - 2. Ensure timely, fair, orderly, thorough and efficient deliberations, including enforcement of any Rules of Order that may be established by the Board.
- E. Make decisions in those areas for which the Board has expressly delegated the Chair decision-making authority.
  - 1. Convene and chair meetings of the Board.

2. Appoint Committee membership and Committee Chairs with consideration given the particular knowledge and experience and the express desires of individual Board members, and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.
  3. Certify actions taken by the Board.
- F. Represent SBCERA, or designate other Board representatives, to outside parties and organizations, when so directed by the Board.
  - G. Act as the liaison for communications between the Board and CEO and/or Chief Counsel.
  - H. Recommend Board and Committee meeting calendars, with the advice of the CEO and Committee Chairs.
  - I. Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.
  - J. Implement the Board's Conflict of Interest, Reporting and Education Policies.
  - K. The Board Chair and Vice Chair will each be elected by members of the Board in open session at the January meeting of the Board for a term of one calendar year.

While it is the Board to whom the CEO and Chief Counsel are accountable, it is expected that the Board Chair will have the most frequent contact with the CEO and Chief Counsel.

#### **VI. Board Vice Chair Authority**

In the absence or incapacity of the Board Chair, the Vice Chair shall fulfill the duties and responsibilities delegated and established by Board policy established in Section V above.

#### **VII. Committees and Committee Chairs**

- A. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they make recommendations to the Board.

1. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
  2. Act for the Board when formally delegated such authority for specific purposes with care to avoid conflict with authority delegated to the CEO.
- B. Non-committee members may attend open meetings of committees, but shall not participate in the discussion, sit on the dais, or vote on issues before the Committee unless they have been designated by the Board Chair or the Chair of the committee as an acting member for that meeting in order to ensure participation of a full complement of committee members.

All committee meeting minutes shall properly identify all the Board members in attendance as either a committee member, an acting committee member, or a Board member in attendance as a member of the public.

- C. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
1. In consultation with the Board Chair and/or the CEO or his or her designee, set the Committee agenda.
  2. Convene and chair meetings of the Committee.
  3. Ensure that the Committee operates to assist the Board by:
    - (a) Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility and not within management's responsibility, and which have been properly agendaized according to applicable law.
    - (b) Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing any rules of order that the Board may adopt.
  4. Work directly with the staff person(s) assigned by the CEO on matters that fall in the Committee's purview.
  5. Act as a liaison between the Committee, the Board Chair, and the Board.
  6. Report to the full Board all actions and deliberations of the Committee.

### **VIII. Remedies**

If a Board member believes that another Board member has violated a governing principle related to their duties owed to SBCERA and its members, as set forth in this document or elsewhere as applicable, the matter should be scheduled on the agenda of the next Administrative Committee meeting for discussion by the Chair of the Administrative Committee at the request of the initiating Board member. The Board member in question should be invited to attend and observe, but shall not comment, pursuant to section VII(B). If the Board member in question is a member of the Administrative Committee, he or she shall leave the dais during the discussion, and shall not participate in the discussion, but may remain in the room to observe. If, after discussion in open session, the Administrative Committee believes that further investigation is necessary, the Chair of the Administrative Committee shall advise the Board member in question, in writing, and the matter shall be set for discussion at the next meeting of the Board. If the Administrative Committee does not recommend further action, the Chair of the Administrative Committee shall so report at the next regular meeting of the full Board, and the Board may, by majority vote of those Board members eligible to attend and vote (excluding the Board member in question), decide to consider action notwithstanding the Administrative Committee's declining to recommend further action.

If, after a full discussion of the matter in open session with the Board member in question, the Board believes that a governing principle has been violated, the Board may, by majority vote of those Board members eligible to attend and vote (excluding the Board member in question), publicly censure that Board member and the censure will be recorded in the minutes of the Board meeting. Censure may include the Board member's removal from any position of authority and/or committee membership, and such other actions as the Board may approve, consistent with applicable law.

**EXHIBIT 1 TO SBCERA GENERAL POLICY NO. 002  
(STATEMENT OF GOVERNANCE PRINCIPLES AND CODE OF ETHICS)**

**SBCERA BOARD OF RETIREMENT - CODE OF ETHICS**

Each member of the SBCERA Board of Retirement is bound by the Board's Statement of Governance Principles. The Board's Governance Principles state that members of the Board must "fully comply with ethics, gift, reporting, and education laws and policies" and that "individual Board members shall avoid favoritism, conflicts and disclosure of privileged information" and "at all times individual Board members shall act in the best interest of SBCERA's members and plan sponsors consistent with their fiduciary duty." Further, the Board's Governance Principles state that the Board Chair shall "provide leadership to the Board in terms of collegiality and ethical conduct."

To supplement the Statement of Governance Principles, the Board of Retirement adopts the following Code of Ethics.

1. Board members shall maintain high ethical conduct at all times.
2. Board members shall conduct themselves with integrity and dignity, strive to understand SBCERA objectives, and exercise care, prudence and diligence in handling confidential information.
3. Board members shall not seek or accept any compensation or political contributions that would violate California law, including without limitation the Political Reform Act of 1974 (Government Code section 81000 et seq.).
4. Board members shall not seek nor accept any gifts, or reimbursement for travel or any other activity, that is not specifically permitted in California's Political Reform Act of 1974 (Government Code section 81000 et seq.).
5. Board members shall take positive steps not to breach the restrictions on unauthorized communications.
6. Board members shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member. Specifically, Board members may not participate in decisions which might result in significant personal economic advantage.



7. Board members recognize that all SBCERA business transactions are to be based on integrity, competence, financial merit and benefit to SBCERA participants and their beneficiaries, and not on personal relationships.

8. Board members shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

**POLICY NO.**  
**By:**  
**Policy Category**  
**Approved.**

003  
Admin Committee  
General

**Issue No.** 1.0  
**Effective Date:** 09/02/2004  
**Page(s)** 2



By:

Chairman of the Board

**Subject:** CODE OF ETHICS

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**CODE OF ETHICS**

Each member of the SBCERA Board of Retirement is bound by the Board's Statement of Governance Principles. The Board's Governance Principles state that members of the Board must "at all times meet high ethical standards that exceed legal minimums" and that "individual Board members shall avoid favoritism, conflicts and disclosure or privileged information and at all times individual Board members shall act in the best interest of SBCERA consistent with his/her fiduciary duty." Further, the Board's Governance Principles state that the Board Chairman shall "provide leadership to the Board in terms of collegiality and ethical conduct."

To supplement the Statement of Governance Principles, the Board of Administration adopts the following Code of Ethics:

1. Board members shall maintain high ethical conduct at all times.
2. Board members shall conduct themselves with integrity and dignity, strive to understand SBCERA objectives, and exercise care, prudence and diligence in handling confidential information.
3. Board members shall not seek or accept any compensation or political contributions that would violate California law, including without limitation the Political Reform Act of 1974 (Government Code section 81000 et seq.).
4. Board members shall not seek nor accept any gifts, or reimbursement for travel or any other activity, that is not specifically permitted in California's Political Reform Act of 1974 (Government Code section 81000 et seq.).
5. Board members shall take positive steps not to breach the restrictions on unauthorized communications as defined in Section III of the STATEMENT OF GOVERNANCE PRINCIPLES.

BOARD REPEALED 08/03/2017

6. Board members shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member. Specifically, Board members may not participate in decisions which might result in significant personal economic advantage.
7. Board members recognize that all SBCERA business transactions are to be based on integrity, competence, financial merit and benefit to SBCERA participants and their beneficiaries, and not on personal relationships.
8. Board members shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

**BOARD REPEALED on 08/03/2017**





**POLICY NO.** 004  
**Committee:** Admin Committee  
**Policy Category:** General

**Issue No.** 2.0  
**Effective Date:** 03/05/2015  
**Page(s)** 1

**Approved.**

By: \_\_\_\_\_

  
Chairman of the Board

**Subject: CLOSED SESSION MINUTES**

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## CLOSED SESSION MINUTES

### **Recording Closed Sessions**

It is the policy of the Board not to record closed session meetings of the Board or any closed session meetings of the Board Committees.

### **Recording Closed Session Decisions**

The Board will announce in open session of the Board any decisions made by the Board while in closed session. The announcement in open session of decisions made by the Board while in closed session will be recorded in the Board minutes.

### **Disability Hearings**

Because of a member's right to privacy and the confidentiality of a member's medical and personnel records, the Board's deliberation on disability applications will include the member but will not be open to the public unless otherwise requested by the member. The Board's deliberation on a disability application will not be recorded unless requested by the member for purposes establishing an administrative record. The Board's decision on a disability application will be announced in open session and recorded in the Board minutes.



**POLICY NO.** 005 **Issue No.** 3.0  
**Committee:** Admin Committee **Effective Date:** 11/02/2017  
**Policy Category:** General **Page(s)** 6

**Approved.**

By: *Ross Inimio*  
Chairman of the Board

**Subject: POLICY ON SBCERA GOVERNING DOCUMENTS**

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## POLICY ON SBCERA GOVERNING DOCUMENTS

### **Purpose**

The purpose of this policy is to set out the process by which the San Bernardino County Employees' Retirement Association (SBCERA or Association) Board of Retirement (Board) develops, revises and approves the Governing Documents of SBCERA. These Governing Documents shall include the Bylaws and Policies of the Association.

### **Definitions**

*Governing Documents* provide direction and organization in the administration and operation of SBCERA. They are living documents that are periodically changed and updated to reflect new laws, information, and the decisions of the Board and Association. The Governing Documents include the Bylaws, Board Policies and Operational Policies.

*Bylaws* are the codified, foundational principles that apply to the Association which regulate and outline the roles and responsibilities of the Board and others involved in the governance of the Association, and constitute "regulations" as that term is used in Government Code section 31525. The Bylaws reflect the fundamental rules governing SBCERA that are not likely to change frequently.

*Policies*, for the purpose of this document, are defined as guidelines describing how specified activities of the Association are to be carried out on an ongoing basis. Policies include Board Policies and Operational Policies. An SBCERA Policy:

- Is a governing principle that mandates or constrains actions,
- Has Association-wide application,
- Changes infrequently and sets a course for the foreseeable future,
- Helps insure compliance with applicable laws and regulations,
- Reduces Association risk, and
- Is approved at the Board level or Chief Executive Officer (CEO) level.

Board Policies are those policies set by the Board of Retirement that deal with issues of relatively high importance as SBCERA pursues its fundamental mission. Board Policies are subordinate to Bylaws, should be interpreted in such a manner as to ensure that they are consistent with Bylaws, and must be consistent with Bylaws in order to be valid.

Operational Policies are those policies set by the CEO that deal with issues of a day-to-day, administrative nature, requiring specialized knowledge and expertise pertaining to the internal operations and the staff of SBCERA. Operational Policies are subordinate to Bylaws and Board Policies, should be interpreted in such a manner as to ensure that they are consistent with Bylaws and Board Policies, and must be consistent with Bylaws and Board Policies in order to be valid.

### **Objective**

To ensure the approach to Board Governing Document development, review and revision are sound and thorough, and produce documents that are consistent and effective in supporting the goals and objectives of the Association.

### **Principles**

Governing Document development is a deliberate and proactive process by which SBCERA continually anticipates the need for current Governing Documents, and meticulously develops, reviews and monitors existing Bylaws and Policies to ensure they continue to support the fiduciary responsibilities of the Board and the needs of the Association.

### **Policy Guidelines**

1. The Board and all of its individual members (Trustees), and the staff of SBCERA, shall act in accordance with the adopted Governing Documents as applicable.
2. In determining whether a particular issue warrants a formal Board Policy, the Board shall consider the following factors:
  - a. The level of risk the issue poses to the Association;
  - b. The extent to which the issue is expected to recur;
  - c. Whether the issue is amenable to, and could benefit from, a general directive from the Board that will bind the Association and limit flexibility in future situations; and
  - d. That the issue is a Board issue and is not an operational issue which would be the responsibility of the CEO.

3. When the Board determines a new policy or revision to an existing policy is necessary, it shall, by action reflected in its minutes, direct the CEO or Chief Counsel to bring forward a recommended policy with supporting documentation to the Board through the appropriate committee of the Board as described below. Such direction shall include the specific topic of the policy to be developed and the time frame for its development. The Board may opt to consider the Policy without a committee recommendation. The Board may delegate to its Chair the function of assigning policy action to Committees, including the ability to create an Ad Hoc Committee.
4. Should the Board contemplate an action that is inconsistent with an approved Board Policy, the Board shall carefully document its decision to deviate from the stated Policy and consider whether a Policy review and modification is in order.
5. The CEO will assist the Board in developing and reviewing Board policies by identifying the need for a Board Policy and providing the Board with a sound and thorough analysis and a set of recommendations for the Board's consideration. Outside consultants and specialists may be used in Policy development.
6. The Board will satisfy itself that the Board Policy recommendations and the underlying analysis thereof have been prepared with the requisite level of skill, diligence and care effectively supporting the mission and goals of SBCERA.
7. The Board shall review and update all Board Policies on a regular basis and may designate that the CEO monitor the schedule of such reviews. Board Policies shall be reviewed every three years by the appropriate standing committee as described below, unless changes in laws or SBCERA business needs require a different review/revision schedule. The standing committees may recommend that Board Policies be rescinded upon presentation of appropriate justification and support documentation.
8. The Board may authorize the Chair to create an Ad Hoc Committee from time-to-time to review the need for a specified Board Policy or for consideration of a new Board Policy. The Ad Hoc Committee shall present its review and recommendation to the Board. If new formal Board Policy creation is recommended as the result of such action, the new Board Policy shall be assigned to the appropriate standing committee as described below.

### **Format**

A standard Policy format will be adhered to that will ensure clarity and consistency. Although not all Policies will contain all of the format elements, Board and Operational Policies should generally be written and maintained following the format described below.

- Header information: (mandatory element)
    - Policy number
    - Reviewing Committee (Board Policies Only)
    - Policy Category (Board Policies Only)
    - Issue Number
    - Effective Date
    - Policy Subject
    - Signature and title of person approving: (For Board Policies this shall be the Board Chair and for Operational Policies this shall be the CEO).
  - Purpose: (mandatory element) The purpose of the Policy and the statement of philosophy, position, rule, regulation or direction.
  - Definitions: (optional element) Meaning and interpretation of terms used in the Policy.
  - Background: (optional element) The historical, social and other antecedents or impetus for implementation of the Policy.
  - Objective: (optional element) The strategies or implementation plan or statement to attain or accomplish the goals of the Policy.
  - Principles: (optional element) A statement that puts the Policy's intentions into more practical terms, and guides interpretation and implementation, by setting a more detailed conceptual framework that supports the overall Policy objective.
  - Policy: (mandatory element) Description of the operative elements of the Policy covering a coherent set of directives with a common long-term objective (or objectives), including risks to be mitigated, affecting or relevant to the Policy subject
  - Guidelines: (optional element) A range of advice and guidance on what would be best practice and may contain examples, checklists, further clarifications or extrapolations, etc.
- ❖ **NOTE:** For policies that predate this Policy issue, the format described above is not applicable. If it is feasible, revised Policies should be written in the approved Policy format.

## Location of Governing Documents

To ensure ready access to the SBCERA Bylaws and Board Policies, SBCERA will maintain official SBCERA Bylaws and Board Policies web pages (<https://www.sbcera.org/AboutUs>) with the most current approved versions of the Bylaws and all Board Policies. The web pages will be maintained by the CEO or his/her designee in electronic format. The Operational Policies will be maintained on a shared directory accessible to the staff of SBCERA.

## Governing Documents Administrator

The Governing Documents Administrator shall be the Chief Counsel or his/her designee. He/she will maintain copies of signed Policies, Policy revisions and the SBCERA Bylaws, and distribute new and revised By-laws and Policies as appropriate to ensure that all who are bound by those documents are informed of the obligations they impose. The Governing Documents Administrator shall also notify responsible parties when particular Policies are scheduled for review or revision and is available to work with the responsible parties during any phase of the Policy development process.

## Review and Organization of Governing Documents

Board Policies are organized and reviewed as follows:

- Investment Policies - The Investment Committee shall provide all Investment Policy review and recommended revisions to the Board.
  - Investment Policies serve as a blueprint for SBCERA's investment strategy, outlining SBCERA's investment goals, detailing the Fund's asset mix and target allocations, as well as the principles that guide the investment and risk management of the fund.
- Administrative, General, Benefits, and, Education and Training Policies – The Administrative Committee shall provide all Administrative, General, Benefits, and, Education and Training Policy review and recommended revisions to the Board.
  - Administrative Policies are those Policies that pertain to the management of the affairs of the SBCERA organization, duties of the administration of SBCERA, and staff.
  - General Policies deal with the goals for which SBCERA exists, and provide general principles in which to provide broad guidance for Association decisions in a variety of situations. These Policies are implemented to promote consistency and standards to reflect the basic needs of SBCERA, as well as its Board, staff, members and beneficiaries, plan sponsors and other stakeholders.

- Benefits Policies are established by the Board to define in more operational terms how member and beneficiary benefits will be interpreted and implemented.
  - Education and Training Policies are created to ensure that Trustees and staff have access to required and optional business-related education and training that is effective, efficient, and timely, using sources, methods, and strategies consistent with SBCERA's goals and business strategies.
- Actuary and Audit Policies - The Audit Committee shall provide all Policy review and recommended revisions to the Board on matters related to actuarial and audit work.
- Actuary and Audit Policies are those Policies established by the Board that delineate certain actuarial methodologies and accounting standards by which the SBCERA funding policy is determined.
- Bylaws –The Administrative Committee shall provide all Bylaws review and recommended revisions to the Board. Upon Board approval, the Board of Supervisors of the County of San Bernardino must approve any revisions to the Bylaws.



**POLICY NO.** 006  
**Committee:** Admin Committee  
**Policy Category:** General

**Issue No.** 3.0  
**Effective Date:** 05/05/2016  
**Page(s)** 7

**Approved.**

By:   
Chairman of the Board

**Subject:** BOARD OF RETIREMENT ELECTIONS

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## BOARD OF RETIREMENT ELECTIONS

### 1. Purpose

The purpose of this Board of Retirement Elections Policy (Policy) is to establish a transparent and accessible process for the election of Members to the Board of Retirement, as well as for filling Elected Member vacancies, and recounting ballots. In addition, the Policy is intended to mitigate the appearance, or risk, of any corruption of the election process for elected Board member seats. This policy is intended to implement, and be consistent with, applicable statutes governing the subject matter hereof, and should be construed accordingly. To the extent of any inconsistency between this policy and governing statutes as they exist on the date of this policy's adoption in its current form or as they may later be amended, the governing statutes shall control.

### 2. Objectives

- Transparent and accessible nominations and elections
- Preserve the privacy of Members' home addresses
- Recount procedures

### 3. Background

The composition and length of membership on the Board of Retirement is mandated by the County Employees Retirement Law of 1937 (CERL). The Policy is intended to serve as guidance in accomplishing the task of initiating the required elections and appointments of the Members of the Board of Retirement in an objective and standardized manner.

Government Code section 31520.1 establishes the composition of the Board of Retirement. The Members for which elections are conducted are found in Government Code sections 31520.1 and 31520.5 and, as amended through the effective date of this policy, include:

- Two "General" Members of the Board of Retirement elected by active and deferred non-safety members, also referred to as the Second and Third Members of the Board.
- One "Safety" Member of the Board of Retirement elected by the active and deferred safety membership, also referred to as the Seventh Member of the Board.
- One "Alternate Safety" Member of the Board of Retirement elected by the active and deferred safety membership, also referred to as the 7A Member of the Board.
- One "Retired" Member of the Board of Retirement elected by the retired membership, also referred to as the Eighth member of the Board.



- One "Alternate Retired" Member of the Board of Retirement elected by the retired membership, also referred to as the 8A Member of the Board.

There are also four members of the Board of Retirement who are appointed by the County Board of Supervisors (Fourth, Fifth, Sixth and Ninth Members). One of the appointed members may, but need not be, an elected County Supervisor. The final member is the County Treasurer-Tax Collector who serves as an Ex-Officio Member (First Member).

All Members serve three year terms except the Ex-Officio Member.

Preparation for a Board member election normally should begin in June of the year that the Board member term will expire. Coordination with the Registrar of Voters and Clerk of the Board of Supervisors is necessary.

Because the CERL does not prescribe procedures for nominating and electing candidates, filling vacancies, or conducting recall elections, and does not incorporate the California Elections Code, the guidelines contained in this Policy are hereby adopted by the Board of Retirement to provide clear direction for the election process.

Elections will be conducted by mail ballot under the Uniform District Election Law (UDEL), except that the notice of the election is to be posted rather than published.

**4. Elections Procedure and Schedule**

Elections are to be held on the first Tuesday in December of the election years in accordance with this Policy and the contract or agreement with the County Registrar of Voters or other entity conducting the election (Contracted Election Provider). Special elections will be held only when a vacancy occurs and in accordance with the provisions in this Policy.

A Notice of Election will be posted in accordance with the election calendar at all SBCERA plan sponsors, selected San Bernardino County facilities and on the SBCERA website.

The "Outline of Election Events" for all regularly scheduled elections per the UDEL is as follows.

DATE	RESPONSIBLE PARTY	EVENT
-120th thru -90th from election day	Registrar of Voters	<b>NOTICE OF ELECTION:</b> Post Notice of Election, rather than publish, at SBCERA plan sponsors, selected San Bernardino County facilities and on SBCERA website (E.C. 4000-94, 10500-94, et.seq.)
-113 <sup>th</sup> day thru -88 <sup>th</sup> day	Registrar of Voters	<b>DECLARATION OF CANDIDACY:</b> Declarations of Candidacy and procedural information may be obtained from the office of the Registrar of Voters, 777 East Rialto Avenue, San Bernardino. (Sec. 10510-'94, Elec. Code)

DATE	RESPONSIBLE PARTY	EVENT
5:00 p.m. -88 <sup>th</sup> day		Last day and hour for candidates to file papers. (Sec. 10510-'94, Elec. Code)
5:00 p.m. -83 <sup>rd</sup> day	Registrar of Voters	<b>NOMINATION EXTENSION:</b> If Declaration of Candidacy for an incumbent elective officer of the Retirement Board is not filed by 5:00 o'clock p.m. on the 88th day before the election, the voters shall have until 5:00 o'clock p.m. on the 83rd day before the election to nominate candidates other than the incumbent for such elective office. (Sec. 91523-'80 Gov't Code, 10516-'94 Elec. Code)
-83 <sup>rd</sup> day	Board of Supervisors and Registrar of Voters	<b>APPOINTMENT/INSUFFICIENT NOMINEES:</b> If only one Member has been duly nominated in accordance with the rules established for the holding of the election, the Board of Supervisors shall order that no election be held in that office and shall direct the clerk to cast a unanimous ballot in favor of such nominated candidate. (Sec. 10515-'94 Elec. Code)
-57 <sup>th</sup> day thru -14 <sup>th</sup> day	Registrar of Voters	<b>WRITE-IN CANDIDATES:</b> Should there be sufficient candidates to hold an election, write-in candidates may apply at the Registrar of Voters office.
-29 <sup>th</sup> day thru -10 <sup>th</sup> day	Registrar of Voters	<b>MAIL OFFICIAL BALLOTS:</b> The Registrar of Voters shall commence mailing the official ballots and sample ballots to each eligible SBCERA Member not before 29 days prior and shall complete the mailing by the 10th day before the election. (Sec. 4101-'94 Elec. Code)
First Tuesday in December (+0)	Registrar of Voters	<b>ELECTION DAY:</b> The election shall be conducted under Mail Ballot procedures. Each eligible member of SBCERA shall have been mailed an official ballot for their use in voting.
5:00 p.m. (+0)	Registrar of Voters	<b>RETURN OF OFFICIAL BALLOTS:</b> Last day and hour that voted ballots may be received in the office of the Registrar of Voters in order that they may be counted.

DATE	RESPONSIBLE PARTY	EVENT
+1 Day	Registrar of Voters	<b>OFFICIAL CANVASS:</b> The Registrar of Voters' Office shall commence the canvass of the Mail Voter Ballots. Upon conclusion of the canvass, the Registrar shall certify the results to the Board of Supervisors.
+14 Days	Registrar of Voters	<b>DECLARATION OF RESULTS/ELECTION:</b> Board of Supervisors declares results and Registrar of Voters issues Certificates of Election.

The resultant date Board members elected shall take office is January 1<sup>st</sup> of the following year.

**5. Election Administration Responsibilities and Contract**

The SBCERA CEO shall serve as the elections official charged with ensuring the elections are conducted in accordance with this policy. S(he) may delegate powers and duties to other SBCERA Executive staff and/or to consultants, as appropriate.

The SBCERA CEO shall be responsible for noticing all elections; posting them on the SBCERA website; creating a list of eligible voters and forwarding it to the Registrar of Voters; and, swearing in newly elected members of the Board of Retirement.

In order to prevent an actual or perceived conflict of interest, the SBCERA Office shall not conduct the election.

**6. Eligibility to Vote**

A member is eligible to vote for a candidate designated as a Safety or General member, only if the member belongs to the same category of membership and whose membership status is Active, Deferred Vested or Deferred Reciprocal in the month immediately preceding the month in which the election is held.

A member is eligible to vote for a candidate designated as a retired member, only if the member belongs to the same category of membership and whose membership status is Retired or Disabled in the month immediately preceding the month in which the election is held. Beneficiaries of members are not entitled to vote.

**7. Access to Membership Addresses**

The 1937 Act requires that individual records of a member or retired member shall be confidential and information contained therein, including a member's or retired member's address, shall not be disclosed except with written authorization of the member or retired member or upon order of a court of competent jurisdiction.

Any qualified candidate for the Board may request SBCERA's CEO to mail appropriate campaign literature to the members or retired members as part of the election process for Board of Retirement under Government Code section 31520.1. The qualified candidate will make a written request for membership mailing and provide a copy of the campaign literature to the SBCERA CEO. Mailings will only be distributed to the membership represented by the office for which the candidate is running for election. The CEO will determine the cost of reproducing and mailing the requested campaign literature. Prior to such mailing, the qualified candidate will pay SBCERA for the cost, as determined by the CEO, of reproducing and mailing requested campaign literature to the SBCERA membership. The CEO will arrange the mailing of campaign literature. At no time will the candidate be provided names and/or addresses of member or retired members.

#### **8. Ballots**

Each member may cast one clearly marked ballot for one candidate for any Board seat up for election in which that member is eligible to vote. If a ballot is not clearly marked, e.g. the ballot reflects votes cast for multiple candidates running for the same seat, such ballot shall not be counted. If a member casts a ballot for a group other than his/her member group, e.g., a General member cast a ballot for a Safety or Retired member candidate, such ballot shall not be counted. If a member casts multiple ballots for the same seat in an election, and all such ballots include votes for the same candidate, only one ballot may be counted. If the member submits ballots which reflect votes for multiple candidates, none of the member's ballots shall be counted in such election. Ballots cast by anyone other than a member, e.g. a beneficiary, shall not be counted.

#### **9. Recounting of Ballots**

Within five (5) calendar days of certification of the election results by the Registrar of Voters, a candidate may, upon written application, request a recount of all ballots for the membership represented by the office for which the candidate ran for election.

Prior to the request count, the Registrar of Voters shall determine the cost of conducting the recount. The candidate requesting the recount shall deposit this amount with the Registrar of Voters prior to the recount. Money so deposited shall only be returned to the candidate if, upon completion of the recount, the candidate requesting the recount is found to have received a plurality of all votes cast.

The recount shall be conducted by the Registrar of Voters in the same manner as the original count. The recount shall be conducted no later than ten (10) business days after the Registrar of Voters certifies the results. The recount shall be open to the public.

#### **10. Tie Votes**

If a tie vote makes it impossible to determine which of two or more candidates has been elected, the Registrar of Voters shall notify the Board of Retirement, and the Board of Retirement shall forthwith notify the candidates who have received the tie votes to appear before it at its next regularly scheduled Board of Retirement meeting or at a Special Board Meeting duly noticed, indicating the place and time. The Board of Retirement shall determine the tie by lot and the results shall be declared by the Board of Retirement. The

candidate so chosen shall qualify, take office and serve as though elected at the preceding Board of Retirement election.

The CEO shall prepare as many apparently identical slips of paper as there are such candidates, and write the word "elected" on one slip of paper for the office to be filled, and the words "not elected" on the remaining slips, and fold the same so as to conceal the writing and so that they may appear as near alike as possible. The slips shall be placed in a box and, each of the candidates may draw one of the slips from the box, and the person drawing the slip on which is written the word "elected" shall be deemed elected to the Member seat in question. The Board of Retirement Chair may appoint any person present to draw a slip for any candidate who fails to appear at the time specified in the notice. The order in which candidates will draw the slips will be the same order which their names appeared on the ballot.

### **11. Filling Vacancies**

In the event of a vacancy in the Second, Third, Seventh, Alternate Seventh or Eighth member position on the Board of Retirement, an election to fill the vacancy will be held at the earliest possible date as permitted under the provisions of the CERL and the UDEL.

If the remaining term of that vacant seat is less than one year, the seat may remain vacant until filled for the next full term. If the remaining portion of the current term is six months or less on the date of the election, a single election may be held to fill the vacancy for the remainder of the current term and to fill the position for the succeeding term if the vacancy is that of the Second, Third or Eighth member seat. This provision does not apply to the Seventh or Alternate Seventh member.

If the remaining term of the vacant seat is one year or more, nomination and voting shall be substantially in the manner prescribed for a regular election. The candidate receiving the highest number of votes for the vacated seat shall be declared elected to the seat. Such candidate shall assume office and be sworn in at the next regularly scheduled Board meeting or at a Special Session duly noticed for the purpose of swearing in the new member and conducting such other business as the Board determines. The candidates shall serve for the remainder of the term and to a succeeding term if provided for by statute. In the event no candidate submits an application to fill an elected vacancy on the Board, a subsequent election process to fill the elective seat shall be initiated after 60 days if the remaining term of the vacant seat still remains one year or more.

There is no provision in the CERL to allow the appointment of an interim elected Member to the Board of Retirement in lieu of conducting an election.

### **12. Uncontested Elections**

If a candidate for an election to a Retirement Board seat has no opposition, the Board of Supervisors may declare such candidate the winner and such candidate may be sworn in at the next regularly scheduled Board meeting or at a Special Session duly noticed for the purpose of swearing in the new member and conducting such other business as the Board determines.

**13. No Recall Procedures**

Recall elections are not permitted, as there are no recall provisions in the UDEL or the CERL.

Approved.

By:

  
Chairman of the Board

**Subject:** ELECTED TRUSTEE DUTY TIME

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### ELECTED TRUSTEE DUTY TIME

Questions are often asked how much of an elected Trustee's duty time should be spent on SBCERA activities. The complexities of sound management of the assets and liabilities of a defined benefit public pension fund impose a continuing need for all SBCERA Trustees to attend and participate in business meetings as well as professional and educational conferences, classes, and seminars. This will allow them to conduct the business of SBCERA and carry out their fiduciary responsibilities. These business meetings, conferences and educational opportunities may occur within California, outside California but within the United States, or outside of the United States.

Government Code section 31522 states: "The official duties of elected board members who are employees of the county or a district shall be included as part of their county or district employment and their board duties shall normally take precedence over any other duties. The elected board members who are county or district employees shall not receive any additional compensation by virtue of their election to the board." (Emphasis added.)

In considering how much of an elected Trustee's duty time should be spent on SBCERA activities, the Board of Retirement recommends the following:

1. At a minimum the Board of Retirement expects all trustees to prepare for and attend all monthly and special meetings of the Board of Retirement.
2. The Board of Retirement expects all trustees to prepare for and attend all Board Committee meetings to which the trustee is assigned or called to serve in the absence of an assigned member.
3. As a standard, the Board strongly encourages each Trustee to attend one or more educational conferences per year in order to further the educational process as demanded by fiduciary standards.

4. CALAPRS and SACRS are organizations that have been formed for the sole purpose of educating Trustees and staff members of California public pensions funds on the management of these funds. CALAPRS holds an annual General Assembly meeting and SACRS meets on a semi-annual basis. All Trustees are encouraged to attend these conferences when at all possible.
5. New Trustees must become educated so that they can make informed and prudent decisions for the benefit of the plan, its members, and the plan sponsors. They must grasp the fundamental concepts of pension fund investing and management. Additionally, they must be cognizant of the changing dynamics of the industry. This is their fiduciary responsibility. Therefore, the Board has set the following standards:

During the first year, the new Trustee is expected to attend the following educational forums:

- SACRS Spring and Fall Seminars. This will also include attendance of the New Trustee Seminar at one of the sessions
- CALAPRS Basic Principles of Pension Management or the
- IFEBP - Fundamentals for New Trustees Conference

To continue this process, new Trustees are expected to attend at least one of the following educational seminars:

- IFEBP – Investment Institute
- NCPERS – Annual Conference
- IIR – Public Fund Boards Forum





<b>POLICY NO.</b>	008	<b>Issue No.</b>	4.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/01/2018
<b>Policy Category:</b>	General	<b>Page(s)</b>	1
<b>Approved.</b>	By: <u><i>Rou's Frorico</i></u> Chair of the Board		

**Subject: MEMBERSHIP MAILINGS**

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**MEMBERSHIP MAILINGS**

**BACKGROUND:**

The County Employees Retirement Law of 1937 (CERL) requires that individual records of a member or retired member shall be confidential and information contained therein, including a member's or retired member's address, shall not be disclosed except with written authorization of the member or retired member or upon order of a court of competent jurisdiction.

Government Code section 31592.5 requires that the Board of Retirement (Board) provide any organization that is recognized by the Board as representing retired members advance notice of proposed changes to the retirement benefits offered by the system or the use of excess funds and give reasonable opportunity for that organization to comment prior to formal action by the Board. The Board recognizes the Retired Employees' of San Bernardino County ("RESBC") as representing retired members. The Board has determined that RESBC may provide important information to the retired members on these and other retirement issues affecting the retired members.

**MEMBERSHIP MAILINGS:**

RESBC may request SBCERA's Chief Executive Officer (CEO) to mail appropriate literature to the retired members on issues affecting their retirement benefits. RESBC will make a written request for retired membership mailing and provide a copy of the correspondence to the SBCERA CEO. The CEO or his/her designate will determine the cost of copying and mailing the requested correspondence. Mailings will only be distributed to the retired membership. RESBC will pay SBCERA for the cost, as determined by the CEO, of copying and mailing the requested correspondence. The CEO will arrange the mailing of correspondence. At no time will RESBC be given names and/or addresses of retired members.

If the CEO questions the appropriateness of the correspondence, a majority of the Board members may decide the issue at the next regularly scheduled Board meeting.



**POLICY NO.** 009 **Issue No.** 2.0  
**Committee:** Admin Committee **Effective Date:** 11/2/2017  
**Policy Category:** General **Page(s)** 4

**Approved:**

By: *Ronis Tronzo*  
Chair of the Board

**Subject: BUILDING SECURITY POLICY**

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**BUILDING SECURITY POLICY**

**I. PURPOSE**

The purpose of this policy is to ensure SBCERA ensures the building, property, equipment, and all persons working thereon, as described in this policy are secured and protected.

**II. BACKGROUND**

San Bernardino County Employees' Retirement Association (SBCERA) currently owns and partially occupies a commercial office building (the Property) at 348 W. Hospitality Lane, San Bernardino CA 92415. SBCERA maintains security controls for all space which it occupies, and engages a property manager to maintain security controls, among other functions, for the Property, building and all other tenants, including building security personnel.

**III. SCOPE**

This policy covers property, SBCERA staff, Trustees and any visitors to SBCERA, and all authority granting SBCERA the ability to enact security measure(s) necessary to protect its staff and persons on the property and within SBCERA occupied spaces. This policy does not address tenants, their employees and guests, who along with the property management are responsible for security of their own employees and occupied space.

**IV. POLICY GUIDELINES**

The specific measures provided in this policy represent general practices that the Board believes will enhance building security. Nothing in this policy shall be construed either to mandate these specific measures if conditions, safety needs, availability of personnel or equipment, or other factors counsel for different, additional, or fewer measures. Such variations shall be within the discretion of the Chief Executive Officer or his or her designee, but any significant ongoing variations from the standard set forth here shall be reported to the Board and agendaized for discussion in a manner that would permit the Board to ratify, modify, or reject such variations.

**1. External Building Security**

A. All external entry points to the Property should require security access during non-business days and times.

- SBCERA as well as applicable tenants will be provided means to access the building during non-business days and times.
- The property manager(s) shall oversee the administration of the external entry security access.

B. A security guard should generally be onsite prior to the start of each business day, and remain onsite until after the close of each business day.

The property manager(s) shall engage, manage, and oversee the administration of the building security guard.

C. External cameras may be placed in locations allowing for the monitoring and recording of the building's parking areas.

The property manager(s) shall oversee the administration of the external video monitoring and recording.

D. External lighting should be placed in each parking area, as well as entry points of the building.

The property manager(s) shall oversee the maintenance of the external lighting.

E. Shrubby should be trimmed to a height less than three feet so as to limit hiding places. Trees should be trimmed up from the bottom five to seven feet for a full-grown tree, if possible.

The property manager(s) shall oversee the maintenance of shrubby and trees.

F. Security codes for common area door keypads should be changed periodically and when necessary.

The property manager(s) shall oversee the Administration of the external door security.

G. Emergency contact information should be posted at all entry points.

The property manager(s) shall ensure the contact information is posted and remains up to date.

H. When arriving early or working late, SBCERA staff are encouraged to be aware of their surroundings and ensure their path to the nearest entry point is visible and free of any unknown persons.

- I. When working late, SBCERA staff are encouraged to move their vehicles to one of the lit parking spaces adjacent to the building during working hours.
- J. When possible, staff are encouraged to use the "Buddy System," and walk to and from vehicles with other staff when leaving or entering the building during non-business hours.

## **2. Internal Building Security for Common Areas**

- A. Internal cameras should be placed in locations allowing the monitoring and recording of all common areas.

The property manager(s) shall oversee the administration of the common area video monitoring and recording.

- B. The security guard should conduct regular "sweeps" of all common areas, and stairwells each day.
- C. Common area restrooms may be equipped with security devices limiting unrestricted access to restrooms.
  - The property manager(s) shall oversee the Administration of any security devices restricting access to restrooms, and ensure SBCERA is provided adequate ability to provide facilities for the membership and any visiting person(s).
  - Should the property manager(s) implement a code based security system, they shall ensure codes are changed periodically and when necessary.
- D. In addition to any building security devices, doors that might potentially lead to SBCERA occupied areas may include SBCERA specific secured entry devices.
- E. All stairwell doors on the first floor should remain locked at all times. Access may only be allowed via a stairwell key, or an SBCERA secured entry device.

## **3. SBCERA Suite Security**

- A. SBCERA occupied spaces should have cameras placed near entry points to monitor and record all inflow and outflow.

SBCERA Information Services Department shall oversee the administration of the video monitoring and recording within the identified occupied spaces.

- B. SBCERA occupied spaces will be part of the suite security system(s).
  - Each area should be on a time schedule or set to always armed.

- SBCERA Information Services Department shall oversee the administration of the suite security system(s).
- C. SBCERA occupied areas should be armed during non-business days and times.
- D. SBCERA staff and other designated persons will be provided with means to access necessary areas during standard business hours.
- Certain individuals may be provided with extended access based on business need.
  - At no time shall SBCERA staff relinquish control of their means of access, to any person(s) be it another staff member or other party.
  - The SBCERA Information Services Department shall oversee the administration of providing and revoking access to the SBCERA occupied areas.

#### **4. Event Response**

In the event a situation arises either within the building, or in the surrounding area which may endanger SBCERA staff or its visitors, the Chief Executive Officer (CEO) or designee shall determine if the building will be placed on lockdown or if other appropriate measures will be taken to ensure the safety of staff and visitors. Should the CEO not be on the premises during said event, and not reachable by communication device, the Department Chiefs ("Chiefs") onsite at the time will collectively make the decision. Should the building be placed on lockdown, SBCERA shall follow appropriate procedures to ensure the safety of its staff and any person(s) within the SBCERA occupied spaces. The Chief Information Officer or designee shall work with the property manager(s) and available security personnel to ensure the building remains secure until the lockdown is lifted. The lockdown may be lifted by the CEO or the Chiefs, as described above. The CEO, or one of the Chiefs as the group may determine, shall notify the Board Chair and if possible, the entire Board as to the lockdown as soon as is reasonably practicable.

#### **V. MONITORING AND ENFORCEMENT**

The SBCERA Information Service Department maintains general oversight of building security, except where otherwise directed by the CEO. Any failure to comply with the Building Security Policy will be reported to the CEO. The CEO will determine what if any disciplinary or financial liability action(s) need to be taken, depending on the severity of the misuse.



**POLICY NO.** 010  
**Committee:** Admin Committee  
**Policy Category:** General

**Issue No.** 2.0  
**Effective Date:** 07/06/2017  
**Page(s)** 1

**Approved.**

By:   
Chairman of the Board

**Subject: PRE-FUNDING OF CONTRIBUTIONS**

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### **PRE-FUNDING OF CONTRIBUTIONS**

**Background:** Pursuant to Government Code section 31582 participating employers of SBCERA may pre-fund employer contributions. The pre-funding, or advance payment, may represent all or a part of the participating employer's estimated required annual actuarially determined employer contribution to SBCERA. SBCERA's actuary has advised that any discount rate that is not greater than the actuarial rate assumed in the SBCERA actuarial valuation is acceptable. Since SBCERA is a pass-through agency there is no advantage for SBCERA to negotiate a lower discount rate, thereby charging additional monies for the pre-funding, since gains and losses are recognized through the smoothing and amortization process. However, SBCERA incurs trading costs associated with the pre-funding based on the one-month large cash inflow and then eleven months of negative cash flow. This may result in an overall loss to SBCERA if any potential trading costs are not included in any discount rate used at the time of the pre-funding.

### **Pre-Funding of Contributions Policy**

When a participating employer elects to pre-fund their employer contributions to SBCERA, pursuant to Government Code section 31582, SBCERA will charge the participating employer a discount rate equal to the actuarial rate assumed in the SBCERA actuarial valuation that is effective for the year contributions are due, reduced by an additional rate to minimize the anticipated loss associated with potential trading costs, not to exceed 0.50% without Board approval.



<b>POLICY NO.</b>	011	<b>Issue No.</b>	2.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/2/2017
<b>Policy Category:</b>	General	<b>Page(s):</b>	3

**Approved:**

By: Louis Ferrino  
Chair of the Board

**Subject: DISRUPTIVE EVENT POLICY**

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## DISRUPTIVE EVENT POLICY

### **I. PURPOSE**

The purpose of this policy is to provide guidance to the SBCERA Board and staff in the event there is a disruption to SBCERA's business operations such that the ability to restore said operations may be protracted.

### **II. BACKGROUND**

A Disruptive Event is any unscheduled incident, which is not anticipated, and interrupts the continuance of business, such that San Bernardino County Employees' Retirement Association (SBCERA) no longer has the capability within its normal operation, to make its core services available for staff to perform their daily business activities, and provide assistance to the membership, or services to stakeholders.

In order to make core services available in the aftermath of a Disruptive Event, SBCERA will follow the procedures set out in the *Disruptive Event Response Manual*. The *Disruptive Event Response Manual* is maintained by the Information Services Department (IS Dept.), and approved by the Chief Executive Officer (CEO). In addition, SBCERA shall maintain agreed upon Disruptive Event procedures with key providers to deliver core services, such as processing retiree payroll and managing necessary portfolio capital calls should SBCERA declare a Disruptive Event.

It is anticipated that only core SBCERA services as defined in the *Disruptive Event Response Manual* will take place during the declaration of the Disruptive Event. It is further anticipated that the return to normal operations will occur within thirty (30) days of a declaration of a Disruptive Event or as soon as possible thereafter.

### **III. SCOPE**

This policy covers the actions that may be taken in the event of an extended disruption to SBCERA's business operations.

#### **IV. POLICY GUIDELINES**

##### **1. Declaration of Disruptive Event**

The declaration of a Disruptive Event shall be made jointly in writing or reduced to writing as soon as possible thereafter by the Chair of the SBCERA Board of Retirement (Board) and the SBCERA Chief Executive Officer (CEO).

In event that the Board Chair is unavailable, the declaration of a Disruptive Event will be made in the following order of precedence; the Vice Chair of the Board, the Chair of the Administrative Committee, the Chair of the Investment Committee, the Chair of the Audit Committee. Should the situation arise where all persons with the title of Chair on the Board or one if its committees are unavailable, the authority to declare a Disruptive Event will be based on the seniority of the full voting right members. Should none of the full voting right Board members be available, authority will pass first to the Safety alternate, and then to the Retiree alternate.

In the event that the CEO is unavailable, the declaration of the Disruptive Event will be made in consultation with all available Department Chiefs in the following order of precedence; by the Chief Counsel, Chief Operating Officer, Chief Information Officer, Chief Financial Officer and Chief Investment Officer. Should the situation arise where all persons holding a senior officer position are unavailable, the authority to declare an event will be made in the following order: Retirement Benefits Officer, Information Security Officer, Fiscal Accounting Managers (by seniority), Senior Investment Officer, Senior Staff Counsel.

Should the situation arise where there are no eligible members of the Board to declare a Disruptive Event, sole authority will be granted to the CEO, or next appointed authority. Conversely, in the event there are no senior management staff, or the staff identified within this policy, sole authority will be granted to the Chair of the Board or next Board appointed authority.

##### **2. Operations During a Disruptive Event**

###### **A. Disruptive Event Procedures**

After the Declaration of a Disruptive Event SBCERA shall follow the procedures set forth in the *Disruptive Event Response Manual* and in the agreed upon Disruptive Event procedures with SBCERA's key providers.

###### **B. Superseding Policy and Procedures**

During the Declaration of a Disruptive Event, SBCERA's normal policies and procedures will be superseded where applicable by the *Disruptive Event Response Manual* and by the agreed upon Disruptive Event procedures with SBCERA's key providers.



**C. Written Record**

During the Disruptive Event, the CEO or his or her designee(s) shall keep daily records of events and decisions made while the declaration is active. A more detailed account as to what is to be recorded will be identified within the *Disruptive Event Response Manual*.

**D. Return to Normal**

Should it appear the Disruptive Event will last longer than thirty (30) days, the CEO or next appointed authority shall inform the Chair of the Board or next Board appointed authority. A meeting of the Board shall then be convened to discuss the status of the Disruptive Event, and determine the best course of action to return SBCERA to normal operating levels. The Board or appointed Ad Hoc Committee, shall continue to meet in thirty (30) day (or sooner) intervals thereafter, until the declaration of a Disruptive Event is rescinded.

Prior to declaring the Disruptive Event is over, authorized staff shall use all reasonable efforts to consult with the Board Chair and/or with any Ad Hoc committee established to oversee management of the Disruptive Event. When possible the CEO or next appointed authority, and the Board Chair or next appointed authority shall declare jointly a Disruptive Event over when all core services are once again able to be provided by SBCERA and its staff, and the organization is capable of returning to the practices of its normal policies and procedures. Should a delay in a joint declaration occur after reasonable efforts are made, with the delay negatively impacting operations and the membership, the CEO or next appointed authority may declare the Disruptive Event over. Such a declaration shall be reviewed by the Board at its next available meeting.

**3. Quorum**


In the event a quorum of the Board or appointed Ad Hoc Committee is unable to be assembled initially or at any time during an active Disruptive Event, the CEO or next appointed authority shall follow in descending order of priority: all directives provided by the Board during the event, all directives provided by an appointed Ad Hoc Committee during the event, the *Disruptive Event Response Manual*, all applicable Disruptive Event procedures, and any decisions made due to a lack of directive by preceding priorities in which said decisions are designed to a) ensure existing payees receive their benefits payments on time, and b) returns SBCERA to normal operations as quickly and effectively as permitted.



**POLICY NO.** 012  
**Committee:** Admin Committee  
**Policy Category:** General

**Issue No.** 2.0  
**Effective Date:** 03/05/2015  
**Page(s)** 2

**Approved.**

By:   
Chairman of the Board

**Subject: PUBLIC COMMENT - ADDRESSING THE BOARD**

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**Public Comment - Addressing The Board**

Any member of the public may address the Board: (1) on an agenda item before or during the Board's consideration of the item, and (2) on any matter not on the Agenda that is within the subject matter jurisdiction of the Board at the time provided on the agenda for public comment. Persons wishing to speak shall be provided with a Request to Speak form by the Board Secretary or his or her designee prior to the time the Chairman calls the item for the Board's consideration. Persons wishing to speak shall be encouraged to complete and submit the Request to Speak form, but shall not be required to do so. A person wishing to address the Board shall, when recognized by the Chairman of the Board, step up to the front table and address the Board. The Chairman may request that the speaker state his or her name and address, but the speaker shall not be required to do so. The Chairman shall, in the interest of facilitating the business of the Board, limit the amount of time which a member of the public may use in addressing the Board to three minutes total on the consent calendar and to three minutes on each discussion item, unless the Chairman, or a majority of the Board determines that a different limit is appropriate. In addition, the Chairman shall, in the interest of facilitating the business of the Board, limit the total time which a member of the public may use in addressing the Board on all agenda items to twelve minutes, unless the Chairman, or a majority of the Board, determines that a different limit is appropriate.

Attachment: Request to Speak to the Board Form



## REQUEST TO SPEAK TO THE BOARD

**NOTICE:** Per SBCERA General Policy No. 12, any member of the public may address the Board (1) on an agenda item before or during the Board's consideration of the item, and (2) on any matter not on the Agenda that is within the subject matter jurisdiction of the Board at the time provided on the agenda for public comment.

**TIME LIMITS:** Any member of the public who wishes to address the Board will have three minutes (3) for any Consent calendar item, and three (3) minutes for any Discussion item. Total time which a member of the public may address the Board is twelve (12) minutes per Board meeting, unless the Chairman or a majority of the Board determines that a different time limit is appropriate.

**DATE of Meeting:** \_\_\_\_\_

**AGENDA ITEM No:** \_\_\_\_\_

**NAME/ADDRESS OF PERSON WHO WILL BE ADDRESSING THE BOARD:**

**NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**PHONE:** \_\_\_\_\_

PL61507

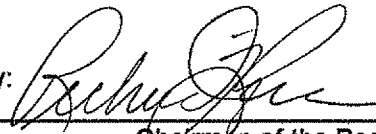
*In order to provide quality service to the Members of SBCERA, the time allotment is required to be adhered to by any member of the public who wishes to address the Board. Failure to follow the guidelines set forth above will cause removal of the public member from the Board Meeting*



**POLICY NO.** 013  
**Committee:** N/A  
**Policy Category:** General

**Issue No.** 1.0  
**Effective Date:** 07/02/2009  
**Page(s)** 1

Approved.

By:   
Chairman of the Board

**Subject: LEGAL REPRESENTATION OF TRUSTEES AND EMPLOYEES OF SBCERA**

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### LEGAL REPRESENTATION OF TRUSTEES AND EMPLOYEES OF SBCERA

Trustees and employees may have the right to be defended and indemnified by SBCERA under the California Tort Claims Act if they are acting within the scope of their duties. This obligation is limited by Government Code section 995.2 and other statutory or case law. Further SBCERA has the discretion to provide legal representation to Trustees and employees who are called as witnesses in state or federal investigations regarding SBCERA activities. As of July 2, 2009, the Board is not aware of any state or federal investigations regarding SBCERA activities.

If an SBCERA current or former Trustee or employee is called as a witness in a state or federal investigation regarding SBCERA activities, SBCERA may reimburse such party up to \$50,000 in legal fees for consultation and representation or appoint counsel of its own choosing for consultation and representation depending on the facts and circumstances in each case as determined by SBCERA.

Any request for reimburse of legal fees and/or assignment of legal counsel must be in writing and include a written statement, subject to the penalty perjury, that the requesting person's conduct, which is the subject of such federal or state interview, was within the scope of his or her SBCERA duties. The requesting party must also acknowledge and agree in writing to a reservation of SBCERA's rights that SBCERA may refuse to provide reimbursement if it is later determined that the requesting party was not acting within the scope of his or her duties; that the requesting party acted or failed to act because of fraud, corruption, or actual malice; or that the requesting party refused to cooperate in good faith with SBCERA. SBCERA may also refuse to honor any such request if SBCERA determines in its sole discretion that such reimbursement or assignment of counsel would create a conflict of interest between SBCERA and the requesting party.

This is a discretionary policy and may be revoked at any time by a majority vote of the Board. Any reimbursement beyond \$50,000 is not authorized by this policy and requires further Board action.

Approved.

By: *Ellen Wisse*  
Chairman of the Board

**Subject: PROTECTION AND CONFIDENTIALITY OF INFORMATION STORED ON MOBILE COMPUTERS**

**PROTECTION AND CONFIDENTIALITY OF INFORMATION  
STORED ON MOBILE COMPUTERS**

**BACKGROUND:**

Confidentiality of data whether Personal or of a sensitive nature present risks to the organization. Several Laptop and notebook computers are on loan to Trustees and senior staff, which may or may not have sensitive or confidential information stored on the hard drives. The loss of this equipment or any compromise of information on this equipment could expose members' personal information and data to unauthorized persons.

**PURPOSE:**

This policy is designed to protect the confidentiality of any data that may be stored on the mobile computers.

**SCOPE:**

This policy covers any mobile computer owned by SBCERA.

**RESPONSIBILITY**

The user of an SBCERA mobile computer will accept responsibility for taking reasonable safety precautions with personal or sensitive data stored on SBCERA mobile computers and agrees to abide by this policy.

**SECURITY OF CONFIDENTIAL DATA:**

It is the Board's Policy that SBCERA mobile computers will not contain any SBCERA Applications or Systems nor will they have any confidential information/data. These

**RESCINDED by Board 1/102/2017  
(See General Board Policy No. 019)**

mobile computers shall only be used to access the Internet for SBCERA related e-mail and to otherwise perform SBCERA related work and tasks.

As an exception to this policy, employees and Trustees will not remove confidential information from SBCERA's secured offices without the Executive Director's knowledge or approval. If confidential information needs to be transported, the following steps must be followed:

a. The person transporting the confidential information must provide a statement to the IT manager of what information and whose information is being transported.

b. The only approved medium for transportation of confidential information are SBCERA supplied FIPS (Federal Information Processing Standard) Compliant thumb drives. These portable drives are both password protected and encrypted using the latest 256 bit security.

1. Users **MUST** access and save ALL changes to the supplied FIPS drive. Caution must be exercised, **DO NOT SAVE DATA** to the local computer in use.
2. Upon return of the loaner computer to the IS department appropriate personnel will conduct a security sweep for viruses, worms and other threats along with removing any personal and or company related data/information and files.

**ENFORCEMENT:**

Since improper transportation of confidential information may compromise or expose members' personal information and data to unauthorized persons, it is every Trustee and employee's duty to adhere to this policy and report violations to the Executive Director as soon as possible.

  
Chairman of the Board

**Subject: MOBILE COMPUTING DEVICE CONNECTION POLICY**

**MOBILE COMPUTING DEVICE CONNECTION POLICY**

**I. OVERVIEW:**

Network security breaches are an ever present risk to the organization. At times, San Bernardino County Employees' Retirement Association (SBCERA) may allow approved mobile computing devices (mobile device[s]) operated by SBCERA Board of Retirement members (Trustee[s]), SBCERA staff members (employee[s]), approved Information Technology vendors (vendors), or advisors in the discretion of the Chief Executive Officer (CEO) to connect to its network(s). These devices may or may not be used to access sensitive or confidential information stored on SBCERA servers and/or network devices. Due to the prevalent and unsecured nature of public wireless networks, mobile devices used outside of the SBCERA secured environment have a higher potential of being compromised. SBCERA network(s) could be at risk if a mobile device has become infected or otherwise compromised and was allowed to establish a connection with SBCERA servers or network(s).

**II. PURPOSE:**

This policy is designed to protect SBCERA's network(s) from being infected and/or compromised by any hostile software or person when a mobile device establishes a connection.

**III. SCOPE:**

This policy covers any mobile device brought into the organization or connected to the organization's network(s). This includes but is not limited to desktops, laptops, notebooks, tablets and smart phone devices.

**IV. RESPONSIBILITY:**

The user/operator of a mobile device, whether SBCERA issued or a user owned, which has access to SBCERA networks will accept responsibility for taking reasonable safety precautions with said device. The user shall abide by this policy.

**RESCINDED BY BOARD RESOLUTION NO. 015-1102/2017**  
**See General Policy NO. 015-1102/2017**

**V. CONNECTION TERMS:**

Requests to connect a mobile device must be made to and approved by the CEO. The Chief of Information Services will determine if the mobile device meets the requirements to connect to the SBCERA network(s), and what type of access may be granted based on the request. No mobile device will be connected to the SBCERA network(s) merely as a convenience for the user. All such mobile devices owned by SBCERA or allowed to connect to the SBCERA network(s) must have their MAC address provided to the Information Services Department as well as inspected by the Information Services Department prior to being allowed to connect. All mobile device operators must agree to the following terms:

1. The mobile device must meet SBCERA security standards.
2. The user/operator must be identified by name and contact information provided to the SBCERA Information Services Department.
3. All mobile devices with access to SBCERA's network(s) must have security that restricts access to the device based on at least one of the following authentication methods.
  - A. Something you know (e.g. a password)
    - i. Must be complex if applicable
  - B. Something you have (e.g. a smart card)
  - C. Something you are (e.g. a fingerprint)
4. The user/operator must be given a copy of and become familiar with this policy and any applicable connection procedures.
5. All mobile devices with access to SBCERA's network(s) are subject to a software audit at any time to ensure no program is in operation that could compromise the security and integrity of SBCERA's network(s).
6. Any Trustee, or SBCERA employee requesting mobile access is limited to one approved device, whether issued or personal.
7. Only the approved resource(s) can be accessed by the designated Trustee, employees or vendors. Designated Trustees, employees, or vendors, cannot delegate access to said resource(s) to another party, except to the extent the CEO or Chief of Information Services designates an appropriate staff person for a particular reason.
8. Access rights to the SBCERA network(s) are nontransferable and restricted to the approved mobile device(s).



9. SBCERA Trustees, employees, or approved vendors connecting to SBCERA's internal network(s) remotely must use an approved VPN or secured remote support connection.

## **VI. PROTECTING THE NETWORK:**

The requirements below will be applied to all mobile devices connecting to the SBCERA network(s):

1. Any mobile device owned by SBCERA or used regularly by Trustees or others to connect to SBCERA's network(s) shall be checked according to section 2 when determined necessary by the SBCERA Information Services Department.
2. If the mobile device is owned by SBCERA and is returning from a period when an employee used it for travel, or if an approved mobile device is connecting for the first time, the following check shall always be performed before the device can establish a connection.
  - A. If applicable, determine whether the anti-virus program is up to date, has the latest virus definitions, is configured properly, and is running properly. If it fails one of these conditions or has not been scanned for a virus within the last week, a full virus scan must be performed, and any virus found must be removed.
  - B. Determine whether the mobile device requires operating or applications updates. If updates are required, said updates will be applied based on severity and security risk.
  - C. If applicable, scan the mobile device for malware, adware, and spyware, removing any discovered.
  - D. If applicable verify the state of stored sensitive data to be sure it is encrypted.
  - E. If necessary "wipe" the mobile device erasing all data on said device.
3. If the mobile device is not owned by SBCERA, the owner of the device shall keep the device up to date on all patches, and maintain an anti-virus program if allowed by the device.
  - A. Should the SBCERA Information Services Department determine the mobile device is a potential risk to the SBCERA network(s), the device's

connection will be terminated. The device will not be allowed to reconnect until the SBCERA Information Services Department has determined the issue has been resolved, and the device no longer poses a risk.

**VII. ENFORCEMENT:**

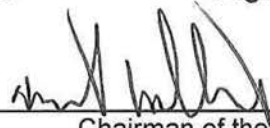
The improper use of mobile devices can bring in hostile software or provide illegal access which may compromise or destroy the integrity of SBCERA's network(s), and the prevention of these events is critical to the security of SBCERA. It is every Trustee, employee, vendor, and approved advisor's duty to adhere to this policy and report violations to the CEO or Chief of Information Services as soon as possible.

**RESCINDED by Board 11/02/2011**  
**(See General Policy NO. 019)**



**POLICY NO.** 016 **Issue No.** 1.0  
**Committee:** Admin Committee **Effective Date:** 08/07/2014

**Policy Category:** General **Page(s)** 3

**Approved**  
By:   
Chairman of the Board

**Subject:** SOLICITATION POLICY

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## SOLICITATION POLICY

### **Introduction**

The San Bernardino County Employees' Retirement Association (SBCERA) is a public retirement fund system charged with administering a pension trust. The SBCERA Board of Retirement members (Trustees) and key staff members of the system are subject to strict fiduciary responsibilities under the law regarding trusts and public agencies. The protocols set forth in this document are intended to ensure that the Trustees and staff adhere to the highest ethical standards, avoiding not only any actual undue influence or conflict of interest, but also the possibility and the appearance thereof.

Government, public fund and institutional investment entities necessitate that public officials and fiduciaries interact, on a regular and personal basis, with private sector individuals and organizations of substantial wealth, with the latter not subject to the same ethical and conflicts requirements as public officials. Such interactions can sometimes lend themselves to solicitation from professional acquaintances of favors, and in particular to requests for charitable donations to a person's favored causes or organizations. While this may be common and widely accepted in the private sector or in other places and organizations, the Board of Retirement (Board) believes that the integrity of SBCERA's trust requires strict rules limiting such solicitation.

This policy is intended to be consistent with, and complimentary to, the Board's existing policy on Ethics, and with the Political Reform Act and the regulations thereunder addressing these same topics, but is intended to pose stricter limitations with respect to the specific subject matter hereof.

### **Operating Criteria**

Other than in the performance of their official duties, no member of the SBCERA Board or staff who is required to file FPPC Form 700 (collectively "SBCERA officials") shall use the prestige, relationships, or influence of SBCERA, directly or indirectly, for private gain or advantage, or for the private gain or advantage of another. If an SBCERA official has been informed that SBCERA does business or may be reasonably expected to do business with an entity, the SBCERA official shall not communicate with that entity or any officer, agent, or employee thereof, to discuss, propose, solicit, arrange, or

cooperate in the proposal or arrangement of any transaction, payment, donation, or solicitation other than those arising from the SBCERA official's duties on behalf of SBCERA, and relating to SBCERA's business or prospective business with the person or entity.

The prohibitions of this policy include but are not limited to contacts regarding any gift, donation, contribution or other support to any person, organization or entity with whom the SBCERA official, or their spouse or dependent child (California Code of Regulations section 18229.1), has any substantial formal or informal relationship, including membership or similar affiliation. The prohibitions in this policy apply even if the gift, donation, transaction, or contribution would not be a reportable "gift" under the California Political Reform Act.

#### **Charitable Nonprofit Organization:**

Notwithstanding the foregoing, an SBCERA Official with the approval of the Chief Executive Officer (CEO), may request the Board's approval to allow the SBCERA official to set up, facilitate, or otherwise provide support to a program designed to facilitate contributions to a charitable nonprofit organization which is tax-exempt under section 501 of the Internal Revenue Code, or any similar entity. The requesting official shall disclose to the Board any substantial relationship that the official or the official's spouse or dependent child may have with the organization to be benefited. Any solicitations for contributions to such a program shall be broadly distributed, and shall not be targeted to entities or persons with whom that official has been informed that SBCERA does business or may reasonably expected do business. The SBCERA official shall not take the actions authorized by this paragraph unless the Board approves such actions as consistent with the goals of this policy.

#### **Campaign Contributions:**

The Board recognizes that extensive federal, state, and local law applies to govern political contributions and the conduct of public officials with respect to such contributions and the officials' relationships with those who give such contributions, and is designed to prevent conflicts of interest and the possibility or appearance thereof. Because such solicitations and contributions are already heavily regulated by statute and other law, the provisions of this policy shall not apply to, or in any way restrict or prohibit, the solicitation or receipt of campaign contributions by an SBCERA Official who is a holder or candidate for public office.

Any SBCERA official who becomes aware that a violation of this policy may have occurred shall immediately report that fact to the CEO and/or the Chief Counsel, who shall immediately inform the Board Chairman of the possible violation and then, after


consultation, take further appropriate action consistent with this policy and any applicable law.

Any staff member who knowingly violates this policy shall be subject to discipline in the discretion of the employee's appointing authority, after consultation with the CEO and Chief Counsel, and a report on the same shall be given to the Board at the next available regular Board meeting.

In the event that a Trustee knowingly violates this policy, the Board shall consider, at the next available regular Board meeting after such facts become known, such corrective action as may be authorized by law and by SBCERA's By-Laws and Policies.

On at least a semi-annual basis, staff shall provide to Trustees a list of current vendors with whom SBCERA does business, or may reasonably be expected to do business in the foreseeable future. Such list shall include but not be limited to custodial funds, investment consultants, investment managers, law firms, audit firms, actuarial firms and information technology firms. A SBCERA official who solicits a benefit from such a firm shall not be found to have violated this policy if the firm was not listed pursuant to this paragraph and the official did not have specific knowledge that SBCERA was doing business with, or in discussions to do business with, the firm.

Approved.

  
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Chairman of the Board

**Subject: SBCERA ISSUED MOBILE COMPUTING DEVICE POLICY**

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**SBCERA ISSUED MOBILE COMPUTING DEVICE POLICY**

**I. OVERVIEW**

At times San Bernardino County Employees' Retirement Association (SBCERA) will issue approved mobile computing devices (mobile device[s]) to SBCERA Board of Retirement members (Trustee[s]) and/or SBCERA staff members (employee[s]). The issuance of these devices must be approved by the Chief Executive Officer (CEO), and can be for various reasons including but not limited to, access to electronic Board and Committee Agenda materials, email access while out of the office, online conference materials, and remote system access.

**II. PURPOSE**

The purpose of this SBCERA Issued Mobile Computing Device Policy is to establish guidelines and procedures for Trustees and employees when using a SBCERA issued mobile device. These guidelines and procedures are necessary to preserve the integrity, availability, security, and confidentiality of SBCERA networks, systems, and all data stored therein.

**III. SCOPE**

This policy covers all SBCERA Trustees and employees.

**IV. RESPONSIBILITY**

The recipient of an SBCERA issued device will take reasonable safety precautions with said device and agrees to abide by this policy.

**V. POLICY GUIDELINES**

**A. Ownership**

1. Upon assuming membership on the SBCERA Board of Retirement, one approved mobile device with appropriate accessories will be issued to each Trustee. Mobile devices issued to Trustees are the property of SBCERA and Trustees have no ownership, interest, or right to title of the mobile device or any information stored on said device. Upon receipt of the mobile device from SBCERA, Trustees shall return such device to SBCERA upon demand by the CEO.

RES CANCELED BY BOARD 11/02/2017  
(See General Policy No. 019)

2. Approved SBCERA employees, at the discretion of the CEO, may be issued a mobile device with appropriate accessories. Mobile devices issued to approved employees are the property of SBCERA and employees have no ownership, interest, or right to title of the mobile device or any information stored on said device. Employees shall return said device to SBCERA upon the direction of the CEO or Chief of Information Services.
3. Upon the expiration of a Trustee's or employee's service to SBCERA, their mobile device and all accessories shall be returned to the CEO or Chief of Information Services, whose designee will reset the mobile device, removing and erasing all information and data on said device and applicable accessories. The mobile device will then be reissued in accordance with this policy, or disposed of in accordance with Board Administration Policy 001 – Surplus Property.
4. SBCERA is the sole licensee of the software included with the mobile device. Any copying, modifying, merging, or redistribution of the software by Trustees or employees is prohibited. Any individual issued a mobile devices and/or accessories is responsible for complying with any and all hardware, software, and service provider license agreements, terms of use, and applicable state and federal copyright laws, as well as any other intellectual property protections. Violations of any such licenses, terms or laws shall constitute a violation of this policy and may subject the user to revocation of such privileges.
5. While issued, the security, care, and proper handling of each mobile device, accessories, and information stored on said device are the responsibility of each Trustee and employee respectively.

**B. Replacement / Damage / Loss**

1. Replacement mobile devices and/or accessories will be issued from time to time due to wear and tear, usage, material technology updates, or changes to security requirements.
2. All applicable mobile devices and accessories will be covered by an extended protection plan. Any technical, warranty, or repair issues relating to said items shall be reported to the CEO or Chief of Information Services. The Chief of Information Services or his designee shall notify the appropriate protection plan provider on any request for service.

3. Theft or loss of, or damage to, an SBCERA mobile devices must be reported immediately to the CEO or Chief of Information Services. In any of these instances, the mobile device shall be remotely wiped, rendered useless, or otherwise have its access terminated for the purpose of removing any sensitive or confidential data, or its access thereto. To "wipe" for the purposes of this policy, means to erase all information and data stored within the device or applicable accessories.
4. The reimbursement for any mobile device or accessory due to theft, loss, or damage will be the sole responsibility of the issued user, if it is determined that the user acted with negligence or recklessness regarding the care and safeguarding of said device or accessory.
5. SBCERA issued mobile devices will have restricted security access enabled at all times. Access to the mobile device will require the Trustee or employee to either provide a password, an authentication device such as a smart card, or physical recognition such as a fingerprint. For security purposes, SBCERA mobile devices will be wiped or otherwise rendered useless after 5 failed attempts to gain access to the device. SBCERA is not responsible for any loss, cost, or harm resulting from this action.

#### **C. Internet Access**

SBCERA issued mobile devices will be Wi-Fi enabled only; no data plan will be provided. The CEO, at his discretion, may identify select mobile devices that will be provided an associated data plan in replacement of or in addition to the enabled Wi-Fi.

#### **D. Liability and Acceptable Use**

1. Trustees and employees are solely responsible and liable for data sent by or stored on the mobile device and/or applicable accessories issued to them. The users accept responsibility for keeping the mobile device and applicable accessories free from any and all inappropriate or potentially dangerous files and/or data.
2. SBCERA issued mobile devices and accessories are authorized to be used only in a manner that supports and promotes the organization's purpose.
3. Personal use of a SBCERA issued device is permissible, so long as it does not interfere with the organization's purpose, or interfere with or negatively impact any other person's, or entity's rights, nor conflict with any laws or SBCERA policies.



- a. Notwithstanding the above, SBCERA mobile devices are not to be used for personal profit or non-profit business purposes, including but not limited to advertising, rentals, selling or buying goods, or services or solicitations.
  - b. SBCERA issued mobile devices are not to be used for any illegal activities, including but not limited to the storage or transmission of copyrighted materials not in the name of SBCERA, the Trustee, or the employee.
4. Installation of any applications on an issued mobile device resulting in a cost to SBCERA is prohibited.
  5. The use of an issued mobile device or accessories to record, view, store, or distribute any form of pornography or other activity in violation of the law is strictly prohibited.
  6. The use of an issued mobile device to partake in any form of gambling, legal or otherwise, is strictly prohibited.

**E. Acceptance**

1. Users of issued mobile devices and accessories accept that devices provided to them will be based on business need, and may vary in make, model, manufacture, and capabilities.
2. Trustees may, in their discretion, decline acceptance of a mobile device and any or all applicable accessories. Trustees who decline use of a mobile device shall not be entitled to any other form of equipment in replacement of the mobile device.
3. All Trustees and employees who accept a mobile device from SBCERA agree and acknowledge, without restriction or reservation, that any information contained in such mobile device is subject to incidental review by SBCERA Information Services staff, regardless of whether the information is SBCERA-related or personal in nature.

**VI. ENFORCEMENT**

The improper use of mobile devices can bring in hostile software which may destroy the integrity of the SBCERA's network(s); compromise confidential and sensitive data; or result in the loss of confidence by SBCERA stakeholders. It is the duty of

every Trustee and employee to adhere to this policy and report violations to the CEO or Chief of Information Services as soon as possible.

**RESCINDED by Board 11/02/2017  
(See General Policy No. 019)**



<b>POLICY NO.</b>	018	<b>Issue No.</b>	1.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	05/05/2016
<b>Policy Category:</b>	General	<b>Page(s)</b>	1

*Approved*

By:   
 Chairman of the Board

**Subject: OATH OF OFFICE**

**OATH OF OFFICE**

**PURPOSE**

An Oath of Office is required to be administered to each seated San Bernardino County Employees' Retirement Association (SBCERA) Board of Retirement (Board) Trustee, whether an elected, re-elected, appointed or ex-officio Trustee, and newly seated Chief Executive Officer (CEO) and Chief Counsel

**POLICY**

Before any Board Trustee, the CEO or Chief Counsel enters upon the duties of his/her office, he/she must take and subscribe to the oath or affirmation from Article 20, Section 3 of the California Constitution.

The Oath of Office shall be administered by the Board Secretary or designee, by any Board member, or by any other public official authorized to administer such oath. The oath for Board Trustees may be administered at any time. The formal acknowledgment ceremony or oath may be administered for Trustees at the first regularly scheduled Board meeting in January, at a Special Session duly noticed for the purpose of swearing in new members and conducting such other business as the Board determines, or at any time prior to the commencement of official duties of office by the Trustee. The CEO and Chief Counsel may be sworn in at any time prior to the commencement of official duties or as soon as practical thereafter.

The Oath of Office shall be properly verified by the administering officer and filed with the Board Secretary.



**POLICY NO.** 019  
**Committee:** Admin Committee  
**Policy Category:** General

**Issue No.** 1.0  
**Effective Date:** 11/2/2017  
**Page(s):** 12

**Approved:**

By: *Ronis Fiorino*  
Chair of the Board

**Subject: SBCERA TECHNOLOGY ASSETS**

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## SBCERA TECHNOLOGY ASSETS

### **I. PURPOSE**

The Purpose of this policy is to provide guidance to the Board and staff of SBCERA as to the appropriate use of SBCERA owned and operated technology assets.

### **II. BACKGROUND**

San Bernardino County Employees' Retirement Association (SBCERA) utilizes a complex array of interconnected technology assets in order to carry out its mission. SBCERA staff (Staff) makes use of these assets in order to provide service to the SBCERA membership, plan sponsors, and other stakeholders. Assets may also be made available to the Board of Retirement (Board) members (Trustees) to assist in carrying out their fiduciary duties to the fund.

### **III. SCOPE**

This policy covers all technology assets owned and/or operated by, leased to, or under contract with SBCERA.

### **IV. DEFINITIONS**

- **Technology Assets:** Any and all tangible and intangible assets owned, leased, operated, maintained, housed within, paid for, or otherwise used by Trustees and SBCERA staff; and where general oversight is within the responsibility of the SBCERA Information Services Department (IS Dept.). They include, but are not limited to, computer hardware, software, licensing, accessories, peripherals, data storage, electronics, telephones, mobile capable devices, Video Teleconference (VTC) Systems, networking equipment/components, cables and office equipment/supplies, Local Area Networks (LAN), Wide Area Networks (WAN), wireless networks, cellular services, system and/or cloud based accounts, and SBCERA electronic mail (e-mail) accounts.

- **Data:** Any intangible electronic file, including but not limited to, documents, e-mails, voicemails, pictures, music, and videos.
- **Personal Use:** Activity that is conducted for purposes other than accomplishing official SBCERA or otherwise authorized activity.
- **Non-work Time:** The time when Staff are not performing an activity for the benefit of the Fund or are under the control or direction of the Fund. Examples of non-work time include off-duty hours such as lunch periods, authorized breaks, before or after a workday, weekends or holidays, and only if the technology asset(s) would normally be available to the staff member.

- **De Minimis Additional Expense:** The expense incurred when SBCERA is already providing equipment, supplies, or services and the use creates only limited additional amounts of electricity, ink, toner, or paper. Wear and tear from normal use is also considered a de minimis additional expense.
- **Inappropriate or Prohibited Use:** The use of SBCERA technology assets in a way that is forbidden by SBCERA policies, procedures, and/or state or federal regulations.
- **Mobile Device:** Any device comprised of mobile hardware and/or software components allowing the device to be portable, and capable of operating, executing, and providing services and applications. A mobile device may be an SBCERA technology asset, or a device supplied by a Trustee, staff, vendor, or advisor.
- **Confidential Information:** Any and all information potentially containing personally identifiable information, of a proprietary nature, trade secret, deemed sensitive, classified, or within the guidelines of client privilege.

## V. GENERAL POLICY GUIDELINES

### 1. Ownership

SBCERA has ownership and oversight of all technology assets owned or acquired by the Fund, in use for the Fund, by Trustees or staff. At any time SBCERA may require assets be returned, disposed of, or inspected. All data stored on an asset provided by SBCERA is the property of SBCERA. Trustees and staff forfeit all rights to privacy and the personal data residing within an SBCERA technology asset.

Staff members receiving a personal mobile device allowance, or Trustees using an SBCERA e-mail address on personal devices should note all data associated with SBCERA e-mail addresses stored on **ANY** personal device is the property of SBCERA; this includes, but is not limited to, all e-mails, attachments, contacts, and calendar events. E-mail addresses not associated with SBCERA remain the property of the individual.

SBCERA is the sole licensee of the software included with or added to any technology asset. Any copying, modifying, merging, or redistribution of the software by Trustees or staff is prohibited. Any individual using a technology asset is responsible for complying with any and all hardware, software, and service provider license agreements, terms of use, and applicable state and federal copyright laws, as well as any other intellectual property protections.

It should also be noted **ANY** SBCERA technology asset may be subject to Public Records Act requests as well as confiscation and search, per Government Code section 6250 et. seq. **NOTHING**, personal or other should be considered confidential or protected when residing on an SBCERA technology asset, unless specifically identified as such within state or federal law.

## 2. Issuance

- SBCERA is not required to supply technology assets if that asset is not required to perform official SBCERA business.
- Upon employment with SBCERA, Staff may be issued such technology assets as deemed necessary for them to fulfil their required job functions. Additionally, throughout their time with SBCERA, Staff, at the discretion of the CEO, may be issued additional technology assets, including mobile devices.
- Upon assuming membership on the SBCERA Board, an approved mobile device may be issued to each Trustee upon request.
- While issued, the security, care, and proper handling of each technology asset, and information stored on said asset is the responsibility of each Trustee and staff member, respectively.
- By Board direction, or at the discretion of the CEO, multiple mobile devices may be issued to the same individual if there is a just business need. The issuance of multiple mobile devices may be for a specific duration, or for the entirety of the individual's tenure.
- Upon the expiration of a Trustee's or staff member's service with SBCERA, all SBCERA technology assets provided to the individual shall be returned to the CEO or Chief Information Officer (IS Chief). The asset(s) will be subject to data sanitization prior to being reissued in accordance with this policy, or disposed of in accordance with Board Administration Policy 019 "Capital and Controlled Assets Policy."

## 3. Liability

Trustees and staff are solely responsible and liable for data sent by or stored on technology assets within their possession. The users accept responsibility for keeping the assets free from any and all inappropriate or potentially dangerous files and/or data, and taking reasonable safety precautions with all technology assets and any potential confidential information that may be stored within. SBCERA technology assets are only authorized to be used by the Trustee or Staff member assigned the asset. Group assets such as printers are the responsibility of all with access to said group asset.

## 4. Asset Types

Technology assets will be grouped into the following categories including, but not limited to, desktops, printers, monitors, peripherals, desktop phones, cellular phones, tablets, laptops, and hybrids (laptop and tablet combinations). Due to security administration concerns, SBCERA will only make available assets from one manufacturer and in some cases only a single model from each of the categories, unless a specific business need cannot be met by the existing approved asset. This limitation of a single manufacturer per

category is to ensure SBCERA can properly secure all potential confidential information that may reside on the technology asset.

**5. Asset Security**

SBCERA technology assets including but not limited to, server, switches, desktops, and mobile devices, may have restricted security access enabled. Access to the asset will require the Trustee or staff member to provide a password, an authentication device such as a smart card, token, or physical recognition such as a fingerprint. Where applicable, two-factor authentication may be required to access the asset, and/or additional security may be required to access further data or applications. For security purposes, SBCERA mobile devices will be wiped or otherwise rendered useless after five (5) failed attempts to gain access to the asset. Internal devices will "lock out" the user after a specific number of failed attempts, requiring IS Staff to "unlock" the device. SBCERA is not responsible for any loss, cost, or harm resulting from this action.

**6. Replacement / Damage / Loss**

- Replacement of technology assets may take place from time to time due to wear and tear, damage, usage needs, technology updates, or changes to security requirements.
- Technology assets may be covered by an extended protection plan. All technical, warranty, or repair issues shall be reported to the CEO or IS Chief. The IS Chief or his designee shall, if applicable, notify the appropriate protection plan provider on any request for service.
- Theft or loss of, or damage to, an SBCERA technology asset must be reported immediately to the CEO. In any of these instances, the asset shall be locally or remotely sanitized (if capable), rendered useless (if capable), or otherwise have its access terminated for the purpose of removing or rendering inaccessible any sensitive or confidential data, and/or its access thereto.
- The reimbursement for any technology asset due to theft, loss, or damage will be the sole responsibility of the issued user, if it is determined that the user acted with negligence or recklessness regarding the care and safeguarding of said asset.

**7. Authorized Purposes**

Trustees and staff may use technology assets for authorized purposes only. As set forth below, limited personal use of technology assets by Trustees, and staff during non-work time is considered an "authorized use" of technology assets, when such use:

- Involves de minimis additional expense to SBCERA;
- Is performed on the staff member's non-work time;
- Are of reasonable duration and frequency;

- Does not reduce productivity or interfere with the mission or operations of SBCERA;
- Do not reflect adversely on SBCERA; and
- Does not violate any SBCERA policy, state or federal law, or the ethical standards set forth by the Fund.

#### **8. Business Use**

SBCERA provides computing devices, networks, electronic information systems, and other technology assets to meet the mission and goals of the Fund, and provide services to the SBCERA membership, plan sponsors, and other stakeholders. All technology assets are procured and configured solely to provide Trustees and Staff the means by which to meet these objectives.

#### **9. Personal Use**

Limited personal use of technology assets is a privilege, not a right. Trustees and staff have no inherent right to personal use of SBCERA technology assets. SBCERA provides the opportunity to Staff to use technology assets for personal use in an effort to create a more supportive work environment. However, this policy does not create a right to use SBCERA technology assets for non-SBCERA purposes; nor does the privilege extend to modifying such assets, including loading personal software or making configuration changes. Additionally, the personal use of an SBCERA technology asset has the following restrictions:

- Trustees and staff must be authorized to use technology assets for official SBCERA business before it is available for limited personal use.
- Managers, supervisors, and designated staff may further restrict personal use based on the needs of the Fund or specific issues with inappropriate use.
- Requests by a Trustee to use SBCERA technology assets for limited personal use shall be made to the CEO, who shall consult with the Board Chair, except in such instance when the request is de minimus and the CEO has no reservation about approving such usage.

#### **10. Privacy Expectations**

Trustees and staff do not have any right to, nor expectation of privacy while using any SBCERA technology asset including Internet or e-mail services. Furthermore, the use of SBCERA technology assets, for whatever purpose, should not be viewed as private, or anonymous. While using technology assets, usage may be monitored or recorded.



### **11. Internet / Cellular Usage**

SBCERA is connected to the internet via a secured connection with the County of San Bernardino. SBCERA pays for a specific amount of bandwidth, which allows for the exchange of e-mails, online research, the performance of certain job duties, and the ability for the membership and plan sponsors to use SBCERA's online services. To protect the County of San Bernardino, SBCERA's networks, and to ensure all business needs are met, the IS Dept. monitors, and controls internet access. Due to this, Internet usage from within SBCERA may be granted, denied, throttled, filtered, or time-restricted. Additionally, Staff may have varying levels of access based on job need.

Issued mobile devices will be Wi-Fi enabled by default, and at Board direction or CEO discretion, may have cellular carrier coverage (if capable). Given the number of mobile devices, all cellular enabled mobile devices will maintain a subscription with the same carrier network and data plan; accept where a lack of coverage requires a different cellular carrier. The IS Dept. reserves the right to control the download speeds of any device deemed to be using excessive amounts of the allotted shared data.

### **12. Telephone Calls**

Telephone calls made from SBCERA's internal phone system may be monitored or recorded for legitimate business purposes such as providing training, instruction or protection against abusive calls. As there is no distinction within the phone system between business or personal calls, all calls shall be handled with the knowledge the conversation is NOT private.

SBCERA issued cellular phones will be subject to all state and federal regulations. The ability to delete and/or recover any form of communication from said phones will be determined by the carrier's retention policies. SBCERA will not request early "permanent deletion" of any communication that took place on an SBCERA-issued cellular phone, nor will SBCERA attempt to block any valid public, law enforcement, or judicial request for communications stored on the cellular devices, or recoverable from the carrier if deleted.

### **13. Electronic Mail (e-mail)**

The e-mail systems' primary use is for SBCERA business-related purposes; and all messages sent, received, or stored are treated as such. SBCERA has the capability and reserves the right to access, review, copy, and delete any messages stored on the e-mail systems. Staff and Trustees should be aware that messages deleted are not immediately removed from e-mail systems. SBCERA e-mail is like written memoranda, and the public may have a right to see and obtain a copy of the messages on the SBCERA e-mail systems.

### **14. Proper Representation**

- Trustees and staff shall ensure that personal use does not present the appearance of acting in an official SBCERA capacity.

- The appearance of acting in an official SBCERA capacity includes endorsement or sanction of personal activities.
- Disregard of section 14 may result in loss of use of technology assets, as well as other sanctions imposed in other SBCERA policies.

### **15. Inappropriate Uses**

The following is considered inappropriate use of SBCERA technology assets and is prohibited unless otherwise stated within this policy.

- Sending, receiving, or storing, greeting cards, videos, music, sounds, games, or other large file attachments that may hinder the performance of the network or other internal assets (e.g., servers, storage systems, network switches, applications, disaster recovery systems).

Staff members providing communications such as the Communications Section are exempt from this prohibition when performing official SBCERA business, unless the IS Chief deems such actions are detrimental to the SBCERA network and/or system performance and security.

- Subscribing to Internet services that automatically download information (e.g., sports scores, music, or other continuous data streams), unless approved by the IS Chief.
- Searching or using social media sites for personal use including, but not limited to, Facebook, Twitter, Tumblr, Instagram, Google +, Skype, Snapchat, Reddit, and Myspace. The use of LinkedIn for limited personal use is acceptable.

Staff members providing communications such as the Communications Section are exempt from this prohibition when performing official SBCERA business.

- Loading personal software onto a technology asset or making configuration changes, including but not limited to, computer games, personal health programs, and messaging applications, unless approved by the IS Chief.
- Installation of any applications or the purchase of any equipment resulting in a cost to SBCERA is prohibited, unless approved by the CEO, and the application(s) promote SBCERA's mission.
- Making personal long distance telephone calls, except:
  - a. In an emergency.
  - b. Brief calls to locations that can only be reached during standard business hours (e.g., car repair shop, doctor).

- c. Brief calls to arrange transportation, or to check in with significant other or dependent.
- Using technology assets as a staging ground or platform to gain unauthorized access to other systems.
- Creating, copying, or transmitting chain letters or other mass mailings, regardless of the subject matter.
- Intentionally or unlawfully misrepresenting your identity or affiliation in electronic messaging communications.
- Opening or downloading ANY attachment from non-SBCERA owned or approved e-mail accounts or instant messaging service (e.g. Gmail, Yahoo, AOL, Hotmail, Whatsapp, or MSN mail).
- Clicking on ANY Hyperlink within an e-mail or dialog box from non-SBCERA owned or approved e-mail accounts or instant messaging service (e.g. Gmail, Yahoo, AOL, Hotmail, Whatsapp, or MSN mail).
- Causing congestion on the network by such things as the propagation of chain letters, junk e-mails, and broadcasting inappropriate messages to groups or individuals.
- Creating, copying, or transmitting any material or communication that is illegal or offensive to fellow staff or to the public, such as hate speech, or material that ridicules others based on race, creed, religion, color, sex, disability, national origin, or sexual orientation.
- Viewing, downloading, storing, transmitting or copying materials that are sexually explicit or sexually oriented, related to gambling, illegal weapons, terrorist activities, or any other prohibited activities.
- Using technology assets for commercial purposes or in support of other “for profit” activities such as outside employment or businesses (e.g., selling real estate, preparing tax returns for a fee, maintaining an online business).
- Engaging in any outside fund raising activity, endorsing any product or service, or participating in lobbying or prohibited partisan political activity (e.g., expressing opinions about candidates, distributing campaign literature), except as such may be specifically permitted under Board General Policy 016 – Solicitation Policy
- Acquiring, reproducing, transmitting, distributing, or using any controlled information including computer software and data, protected by copyright, trademark, privacy laws, other proprietary data or material with other intellectual property rights beyond fair use, or export-controlled software or data.

## VI. SECURING CONFIDENTIAL INFORMATION

Confidential information presents certain risks to the Fund. SBCERA technology assets may contain such confidential information. The loss, compromise, or misuse of said technology assets may expose members' personal information and / or other confidential information to unauthorized persons. General oversight and direction for the securing of confidential information residing within an SBCERA technology asset will be the responsibility of the IS Dept., unless otherwise directed by the Board, CEO, or where one or more of the following exceptions applies.

**Exception:** Due to the nature and types of confidential information used by the Legal Department and Investment Department, each department may need to retain and make accessible more confidential information than otherwise deemed permissible by this policy, or corresponding procedures. Both Chief Counsel and the Chief Investment Officer may implement confidentiality requirements for certain aspects of their business which may supersede applicable sections of this policy or corresponding procedures.

- SBCERA technology assets will contain only enough confidential information to permit SBCERA staff, Trustees, applications, and systems to support SBCERA's directive of administering the benefits of the plan.
- Trustees and staff will not remove confidential information from SBCERA's secured offices without the CEO knowledge and approval. If confidential information needs to be transported, the following steps must be followed:
  - a. The person transporting the confidential information must provide a statement to their Department Chief of what information and whose information is being transported.
  - b. The only approved medium for transportation of confidential information are SBCERA supplied Federal Information Processing Standard (FIPS) Compliant devices.
  - c. Users MUST access and save ALL changes to the supplied FIPS device. Caution must be exercised, as the saving of confidential information outside of the SBCERA secured network to a non-FIPS device is prohibited.
- Should the need arise to transmit confidential information over an unsecured channel such as e-mail, the confidential information MUST be secured using an IS Dept. approved method. Any password, encryption key, or similar information needed to view the confidential information cannot be part of the same transmission as the confidential information.
- At no time can any clear text transmission such as unencrypted e-mail contain more than four (4) characters of a member's Social Security Number (SSN) in text or unencrypted attachment.

Additional safeguards and requirements for handling Personally Identifiable Information (PII) can be found within applicable internal SBCERA policies and procedures.

## **VII. CONNECTION TO SBCERA NETWORKS**

Network security breaches are an ever present risk to the Fund. SBCERA allows technology assets that do not leave the premises to remain connected to its secured networks. Said assets are secured, monitored, and controlled by the IS Dept. At times, and with authorization from the CEO, SBCERA may allow approved devices which are operated by Staff, Trustees, approved Information Technology vendors (Vendor[s]), or Advisors, but not considered an on premises asset, to connect to its secured networks. These devices may or may not be used to access sensitive or confidential information stored on SBCERA servers and/or network devices. Due to the prevalent and unsecured nature of public wireless networks, devices used outside of the SBCERA secured environment have a higher potential of being compromised. SBCERA secured networks could be at risk if a device has become infected or otherwise compromised and was allowed to establish a connection with SBCERA servers or secured networks.

### **1. Connection Requirements**

Requests to connect a device must be made to and approved by the CEO or his/her designate. The IS Chief will determine if the device meets the requirements to connect to the SBCERA secured networks, and what type of access may be granted based on the request. No device will be connected to the SBCERA secured networks merely as a convenience for the user. All such devices whether an SBCERA asset, or approved device allowed to connect to the SBCERA secured networks, must have their Media Access Control (MAC) address provided to the IS Dept., as well as inspected by the IS Dept. prior to being allowed to connect. All device operators must agree to the following terms:

- A. The device must meet SBCERA security standards.
- B. The user/operator must be identified by name and contact information provided to the SBCERA IS Dept.
- C. All devices with access to SBCERA's secured networks must have security that restricts access to the device based on at least one of the following authentication methods.
  - Something you know (e.g. a password)
    - Must be complex (if capable)
    - Must be a minimum of eight (8) characters in length
  - Something you have (e.g. a smart card)
  - Something you are (e.g. a fingerprint)

- D. The user/operator must be given a copy of and become familiar with this policy and any applicable connection procedures.
- E. The device must have an active and SBCERA approved anti-virus program installed and operating (if capable).
- F. All devices with access to SBCERA's secured networks are subject to a software audit at any time to ensure no program is in operation that could compromise the security and integrity of SBCERA's secured networks.
- G. Any Trustee or staff requesting access is limited to one approved device, whether issued or personal.
- H. Only the approved resource(s) can be accessed by the Trustees, staff members, Vendor(s), or Advisor(s), none of whom may delegate access of said resource(s) to another party, except to the extent the CEO or IS Chief designates an appropriate staff person for a particular reason.
- I. Access rights to the SBCERA secured networks are nontransferable and restricted to the approved device.
- J. Any Trustees, Staff members, Vendors, and Advisers remotely connecting to SBCERA's secured networks, must use an IS Dept. approved Virtual Private Network (VPN) or secured remote support connection.

## **2. Protecting the Network**

The requirements below will be applied to all devices (SBCERA controlled technology assets or other) connecting to the SBCERA secured networks:

- A. Any device defined as an SBCERA technology asset or used regularly by Trustees or others to connect to SBCERA's secured networks shall be checked according to this policy.
- B. If the device is an SBCERA technology asset and has not been connected to the secured networks for an extended period, or is connecting for the first time, the following check shall always be performed before the device can establish a connection.
  - If applicable, determine whether the anti-virus program is up to date, has the latest virus definitions, is configured properly, and is running properly. If it fails one of these conditions or has not been scanned for a virus within the last week, a full virus scan must be performed, and any virus found must be removed.
  - Determine whether the device requires operating or applications updates. If updates are required, said updates will be applied based on severity and security risk.

- If applicable, scan the device for malware, adware, and spyware, removing any discovered.
  - If necessary, perform a data sanitization.
- C. If the device is not owned by SBCERA, the owner of the device shall keep the device up to date on all patches, and maintain an anti-virus program if allowed by the device.

Should the IS Dept. determine the device is a potential risk to the SBCERA secured networks; the device's connection will be terminated. The device will not be allowed to reconnect until the IS Dept. has determined the issue has been resolved, and the device no longer poses a risk.


### **VIII. MONITORING AND ENFORCEMENT**

The SBCERA IS Dept. maintains general oversight of all technology assets, and their acceptable uses, except where otherwise directed by the Board or the CEO. Any unauthorized or inappropriate use of technology assets will be reported to the CEO. Should the unauthorized or inappropriate use be carried out by an SBCERA staff member, the CEO will determine what action(s) need to be taken including but not limited to the loss or limitation of the staff member's privilege of limited personal use, or use of the asset in totality, and/or discipline up to and including termination. Should the unauthorized or inappropriate use be carried out by an SBCERA Trustee, the CEO shall notify the Board Chair of the situation. Should the unauthorized use be carried out by the CEO, the matter shall be reported to the Chief Counsel, who shall consult with the Board Chair to determine what action, if any, is appropriate. A determination will then be made as to whether the situation will be brought before the Administrative Committee in accordance with Board General Policy – 002 Statement of Governance Principles and Code of Ethics. Any unauthorized or inappropriate use may result in disciplinary action, and all may face criminal penalties or financial liability, depending on the severity of the misuse.



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**Policy Category:** General  
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By:   
Chair of the Board

**Subject: PARTICIPATING EMPLOYER TERMINATION AND TERMINAL FUNDING OBLIGATION**

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## **PARTICIPATING EMPLOYER TERMINATION AND TERMINAL FUNDING OBLIGATION**

### **I. PURPOSE**

The Board of Retirement (Board) has a duty to establish the funding obligations of participating employers that terminate their participation in SBCERA pursuant to California Government Code Sections 31564 and 31564.2, and/or a participating employer ceasing to have employees appointed to a regular position included in SBCERA membership with the no intent of filling such positions. This policy establishes the calculation methodology for the terminating participating employer, as well as the basis for calculating member benefits.

The general principle applied in this policy is to establish the funding obligation of terminating participating employers as:

- The present value of all future benefits expected to be paid by SBCERA to the terminating participating employer's employees, retirees, beneficiaries, and terminated members as of the termination date; minus
- The value of SBCERA assets allocated to the terminating participating employer as of the termination date.

This policy provides the specific procedures to be used in determining the above two components.

The Board's primary consideration is to ensure that the funding obligation of the terminating participating employer is properly determined and settled. In particular, it is the Board's intent that:

- The SBCERA liabilities attributable to the terminating employer will be determined in a manner that is consistent with the fact that, because there will be no reassessment of the terminating participating employer's funding obligation after the termination date, all risks are being retained by SBCERA and no risks are being retained by the terminating participating employer. To accomplish this intent, the present value of all future benefits will be determined using a market-based discount rate.



- The SBCERA assets attributable to the terminating participating employer will be determined in a manner that is consistent with the contribution obligations of the remaining participating employers. To accomplish this intent, assets will be allocated to the terminating participating employer so that the contribution rate toward the Unfunded Actuarial Accrued Liability (UAAL) will be left substantially unchanged for all of SBCERA's remaining participating employers.

## **II. CALCULATION METHODOLOGY**

### **A. Summary**

This policy establishes a market based approach as of the termination date. This approach dictates the use of market value of assets and requires a valuation of the liabilities on a market-consistent basis. Under this approach, the liabilities for retirees and terminated members will be calculated using all the same actuarial assumptions utilized in the most recent actuarial valuation except that the future benefit payments will be discounted to the present date using a market-based discount rate. The market-based discount rates for this purpose are the discount rates used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer who is terminating its single-employer defined benefit pension plan.

### **B. Termination Conditions**

The Board shall require the terminating participating employer to reimburse SBCERA for the actuarial consulting fees incurred to determine its terminal funding obligation. In the event there is a dispute over the amount of those actuarial consulting fees, the Board will have sole authority to resolve the dispute. In addition to the valuation work performed by SBCERA's consulting actuary, the terminating participating employer may contract with an actuary of its own choice, at its own expense, to review the results from SBCERA's consulting actuary. The Board will have sole authority to resolve any dispute over the calculation of the terminal funding obligation.

The termination date must be at the end of a calendar month to allow a proper determination of the market value of the SBCERA assets.

As part of the termination process, the Board and the terminating participating employer will enter into an agreement stipulating the provisions for the settlement of the terminal funding obligation.

### **C. Present Value of Future Benefits**

The benefits payable by SBCERA to current and former employees of the terminating participating employer will be as follows:

- All active members of the terminating participating employer on the termination date will receive SBCERA benefits for their credited service time up to the termination date. As a result, they will take on the same status as terminated members.
- All vested terminated and retired terminated members (and beneficiaries) will continue to receive future benefits from SBCERA.

The future benefits to be paid to SBCERA members of the terminating participating employer will include those payable to:

- Current retirees and/or beneficiaries of retirees with service while employed at the terminating participating employer prior to the termination date;
- Current members of the terminating participating employer as of the termination date; and
- Former members of the terminating participating employer entitled to either deferred vested benefits or a refund of their accumulated contributions plus credited interest.

The present value of benefits will be determined based on:

- The service retirement and or other benefits associated with the members' years of service with SBCERA as of the termination date, for which they are entitled to SBCERA benefits;
- Expected future cost-of-living adjustments on those benefits;
- For employees and deferred vested members, expected final average compensation (including the effect of any reciprocity benefits);
- For employees and deferred vested members, their expected age at retirement; and
- For retired members and beneficiaries of the retirees, the SBCERA benefits earned for service with the terminating participating employer.

The determination of the present value of future benefits will be based upon the actuarial assumptions most recently adopted by the Board at the time of the determination, except that future benefit payments will be discounted to the termination date using market-based interest rate assumptions.

No consideration will be given to future Board provided benefits.

#### **D. Market-Based Approach for Valuing Liabilities with No Reassessments**

1. The determination of the present value of future benefits will be based upon the actuarial assumptions most recently adopted by the Board at the time of the determination, except that future benefit payments will be discounted to the termination date using market-based interest rate assumptions. The market-based interest assumptions selected for this purpose are the discount rates used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer who is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings based on the discount rate used in SBCERA's actuarial valuation.
2. There will be no reassessment of the terminating participating employer's terminal funding obligation after the termination date under this approach.

#### **E. Determination of Terminating Participating Employer's Assets**

SBCERA is a cost-sharing multiple-employer plan defined benefit pension plan. As a result, there is no ongoing separate accounting of SBCERA's assets by employer except in instances when, in the Board's opinion, separate accounting is necessary to maintain equity among employers. The SBCERA assets attributable to contributions of the terminating participating employer and its employees as of the termination date will be determined as follows:

- Step 1: Determine the Actuarial Accrued Liability of the terminating participating employer as of SBCERA's most recent actuarial valuation irrespective of the participating employer's termination.
- Step 2: Determine the UAAL of the terminating participating employer as of the most recent actuarial valuation by dividing the terminating participating employer's annual required UAAL contribution amount by the UAAL amortization factor. The amortization factor will generally equal the UAAL contribution amount for the cost group that includes the terminating participating employer divided by the UAAL for that cost group. The terminating participating employer's UAAL contribution rate, annual payroll, and UAAL amortization factor will be determined as of the most recent actuarial valuation date. The UAAL contribution rate will be determined before any rate adjustments resulting from distribution from the Cost-of-Living Reserve to provide for future cost-of-living benefits.

Step 3: Determine the non-investment change in assets from the most recent actuarial valuation date to the actuarial termination date as:

- The total contributions by the terminating participating employer since the most recent actuarial valuation date; plus
- The total contributions by employees of the terminating participating employer since the most recent actuarial valuation date; minus
- The total benefit and refund payments since the most recent actuarial valuation date to retirees, beneficiaries, and former employees of the employer.

Step 4: Determine the accumulated assets as of the termination date as:

$$(\text{Step 1} - \text{Step 2}) \times \text{Ratio A} \times (1 + j) + \text{Step 3} \times (1 + j/2)$$

Where:

$j$  = The net rate of return on the market value of SBCERA's total assets from the most recent actuarial valuation date to the date of the participating employer's termination.

Ratio A = (Total SBCERA assets at market value as of the most recent actuarial valuation date) divided by (Total SBCERA assets at actuarial value date as of the most recent valuation date)

Step 5: Determine the portion of any of SBCERA's reserves or designations from which the terminating participating employer will not benefit because of the termination. An adjustment will be made as appropriate to include these reserves or designations in the terminating employer's assets.

## **F. Settlement of Terminal Funding Obligation**

The terminating participating employer's terminal funding obligation will be the excess, if any, of the present value of future benefits over the employer's accumulated assets, as determined under this policy. Settlement of the terminal funding obligation will be made either in a lump sum or, if allowed by the Board, annual installment payments by the employer over a period of up to five years following termination unless the Board determines a longer installment period is appropriate. Annual installment payment arrangements are subject to interest. The rate of interest used shall be the then-current actuarial assumed discount rate less 0.50%, unless the Board deems otherwise.



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**Approved**

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**Page(s)**

By: *Louis Iorio*  
Chairman of the Board

**Subject: INVESTMENT PLAN, POLICY AND GUIDELINES**

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Investment Plan, Policy and Guidelines Booklet is attached

JUNE, 2017

**Investment Plan, Policy and Guidelines**

**POLICY 001**

**San Bernardino County  
Employees' Retirement Association**

**JUNE 2017**

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### Exhibits:

1. Asset Allocation & Investment Structure
2. Informed Rebalancing/Tactical Asset Allocation Policy 002
3. Proxy Voting Policy 009
4. Due Diligence Policy 007
5. Real Estate Investment Objectives Policy 020
6. Securities Litigation Policy 008
7. Asset Transition Policy 012
8. Periodic Review of Board Policies – Policy 005

## Investment Plan, Policy and Guidelines

### San Bernardino County Employees' Retirement Association

#### I. Purpose and Core Beliefs

The purpose of this document (herein after referred to as the Investment Policy) is to delineate the investment policy and guidelines of SBCERA. This policy statement is intended to allow for sufficient flexibility in the management oversight process and to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

#### Core Beliefs:

- A well defined governance structure with clearly delineated responsibilities is critical in achieving long-term, consistent success.
- Strategic Asset Allocation sets the amount of resources (risk) spent on each asset class. Because the Strategic Asset Allocation uses static correlation assumptions, Tactical Asset Allocation should be employed to efficiently adjust the portfolio, making tilts explicit versus implicit, based on fundamental and/or economic theory.
- Balancing asset class return contribution with (downside) volatility is an important risk mitigation. The opportunity for active manager out performance is not uniformly distributed across asset classes.
- Leverage on assets can be prudently applied.
- Management of liquidity risk takes precedence over other risk management concerns.

#### II. Governing Law

The San Bernardino County Employees' Retirement Association (SBCERA) is the entity established for the purpose of administering the provisions of the County Employees' Retirement Law of 1937, as well as other federal and State laws relating to public employees' retirement systems in the State of California.

SBCERA was created pursuant to the County Employees Retirement Law of 1937 (hereinafter referred to as the "37 ACT") and is administered by the Board of Trustees (hereinafter referred to as the "BOARD");

Pursuant to the California Constitution, Article XVI, § 17 and California Government Code Sections 31594 and 31595, the BOARD, may in its discretion, invest, or delegate the authority to invest, the assets of the SBCERA through the purchase, holding, or sale of any form or type of investment with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims (hereinafter referred to as the "STANDARD OF CARE"). As it relates to California Government Code Sections 31594 it is the intent of the Legislature ... to allow the Board of any retirement system ... to invest in any form or type of investment deemed prudent by the board pursuant to the requirements of Section 31595.



**III. Functional Organization and Responsibilities**



**A. Board**

The Retirement Board has the responsibility for administration of SBCERA. The County Employees' Retirement Law of 1937, Government Code 31450 et seq., permits the Retirement Board, at its discretion, to invest the assets of the Plan through the purchase, holding or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board. The Board is responsible for establishing the Plan's operational and investment policies and guidelines and reviewing ongoing Plan performance.

**B. Investment Committee**

The Investment Committee is established by the Board to review all investment related policy and management issues, and make recommendations to the Board regarding appropriate action. The Investment Committee may recommend retention/termination of external service providers.

**C. Staff**

The Board has delegated to Staff authority to assist the Investment Committee and the Board to review policy issues, to implement the programs established by the Board and to report to the Board on the ongoing operations of the Plan.

## **1. Authorities Delegated to Staff**

Pursuant to its authority to delegate functions, the Board hereby delegates to the Chief Investment Officer (CIO) the responsibility to manage the SBCERA investment program subject to the Board-approved investment policies. Such delegation includes:

- Recommending external service providers
- Recommending terminating external service providers
- Managing the SBCERA Informed Rebalancing (TAA) Program and Currency Overlay Program
- Negotiating guidelines for mandates approved by the Board
- Negotiating and executing contracts for mandates approved by the Board

## **IV. General Objectives & Plan Policies**

The **general objectives** define the goals to be achieved through the management of SBCERA assets. The **general plan** provides guidelines to be followed in meeting the general objectives. Investment policies will evolve as fund conditions change and as investment conditions warrant.

### **A. General Objectives of SBCERA**

1. The overall objective of SBCERA is to provide participants with retirement, disability, death and survivor benefits as provided for under the County Employees' Retirement Law of 1937. This will be accomplished through employer/employee contributions, and an investment plan designed to maintain adequate funding of the plan's liabilities over time.
2. SBCERA's Investment Policy is designed to produce a total portfolio long-term real return that adequately funds its liabilities, meets expenses and minimizes the cost of funding the Plan. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. Due emphasis will also be placed on the preservation of capital necessary to meet Plan liabilities.
3. All transactions undertaken are for the exclusive purpose of providing benefits solely for SBCERA's participants and beneficiaries, while defraying reasonable administrative expenses associated with this Investment Policy.

### **B. General Plan**

The allocation of assets among various asset classes shall be approved by the Board and shall identify the target (and ranges), as a percentage of total portfolio assets, for each asset class utilized by SBCERA. See Asset Allocation and Investment Structure Exhibit 1

1. A formal review of each SBCERA asset class shall be conducted by the Board at least every three years. The information for these reviews shall

come from Staff, outside consultants and investment managers, as they may be retained.

2. Professional investment managers may be retained to assist in managing SBCERA assets. Each investment manager shall function under a formal contract that delineates its responsibilities. A formal set of investment guidelines detailing administrative and performance requirements will be provided as an exhibit to the investment management contract. The Board has developed specific due diligence and compliance policies for ongoing monitoring (See Investment Policy 007).
3. The Board shall allocate net pension fund contributions on an on-going basis in accordance with this investment Plan.
4. The Board may utilize the services of an investment management consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies. The comments and recommendations of the consultant shall be considered by the Board in conjunction with other available information for the purpose of making informed and prudent decisions.
5. The Board shall utilize the services of a custodial bank, prime broker, or trust institution for holding SBCERA assets to ensure clear title of SBCERA assets.
6. The Board shall administer the investments of SBCERA at reasonable cost, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to SBCERA.
7. Investments shall not be made to the detriment of long term investment results regardless of the apparent rationale for social good or the immediate needs of the local, state or national economy.
8. The Board shall operate the investment program in compliance with all applicable federal and state laws and regulations concerning the investment of pension assets.
9. No investment or action pursuant to an investment may be taken unless expressly permitted by this Plan.

## **V. Asset Allocation Plan and Objectives**

### **A. Objectives**

SBCERA has a long term investment horizon, and utilizes an asset allocation methodology which encompasses a strategic, long-run perspective on capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance. Asset allocation modeling identifies asset classes the Plan will utilize, and the target percentage that each class represents of the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the

policy. (Exhibit 1 outlines the Fund's current asset allocation targets and acceptable ranges)

## **B. General Strategies**

The asset allocation plan provides diversification to the Plan's overall investment program and is to be managed over time to:

1. Maximize the probability of obtaining a target return at a prudent level of risk. To accomplish this, the Plan considers the following:
  - a) Historical and expected long-term capital market risk and return behavior.
  - b) Multiple scenario analysis
  - c) The correlation of returns among the relevant asset classes.
  - d) The perception of future economic conditions, including inflation and interest rate assumptions.
  - e) The projected liability stream of benefits and the costs of funding to both covered employees and employers.
  - f) The relationship between the current and projected assets of the Plan and the projected actuarial liability stream.
2. Minimize the risk of large loss.
3. Meet or exceed the assumed actuarial interest rate over the long-term.
4. Provide for full investment of the Plan assets. All assets of SBCERA are to remain invested at all times in either cash equivalents or other asset classes as designated by the Plan.

## **VI. Investment Structure**

### **A. Objectives**

After asset allocation, the most significant effect on the Plan's return and risk is the investment structure. Accordingly, the investment structure should be managed with as much care and prudence as the Plan's asset allocation to achieve the highest return possible, consistent with an acceptable level of asset volatility and a prudent level of risk. (See Exhibit 1 for the current investment structure policy)

### **B. General Strategies**

1. Where markets are efficient, the investment structure should provide diversified market exposure while controlling risk, and should minimize cost. In this condition, passive exposure will be favored over active strategies.
2. Where the markets are less efficient, the structure will favor active managers to enhance returns.
3. In the equity portfolio, large, mid, and small capitalization, value and growth style stocks, or derivatives may be considered. .

4. In the debt portfolio, government, corporate, structured instruments, and derivatives may be considered.
5. Within both equity and debt markets, public and private assets will be considered with attention given to liquidity considerations that may constrain illiquid allocations despite potentially attractive returns.

### **C. Performance Measurement and Review**

Special attention will be paid to risk based performance measures.

1. The Plan's investment returns should meet or exceed the assumed actuarial interest rate plus expenses over the long term (defined as ten year horizons).
2. Individual manager portfolios shall be judged according to benchmarks which reflect the objectives and characteristics of their strategic role within the Plan.
3. The Board shall review the long-term investment performance of the Plan at least quarterly.

## **VII. Investment Program Implementation**

### **A. Manager and Advisor Policy**

#### **1. Manager Utilization**

SBCERA may utilize externally managed portfolios based on the specific needs of the Plan. Each investment manager functions under a formal contract which delineates responsibilities and appropriate performance expectations. All managers will be expected to acknowledge in writing that they are fiduciaries and as such, will be expected to know and comply with applicable manager specific portfolio guidelines. Portfolio performance will be evaluated relative to its adopted benchmark and peer group on a regular basis. No more than 10% of total plan assets (as measured by net asset value and excluding forward commitments of capital) should be allocated to any one investment management organization, or to any one holding company comprised of one or more investment management subsidiaries unless it is desirable to do so in the informed opinion of the Board. This limit shall not apply to passive investment strategies or instruments used for asset allocation/rebalancing purposes at the total plan level. In addition, SBCERA shall not represent more than 20% of an investment management organization's assets under management, unless it is desirable to do so in the informed opinion of the Board.

A plan to cure a breach of the Manager Utilization provision will be presented to the Investment Committee (or Board) by SBCERA staff in consultation with the Board's investment consultant (as applicable). Any cure plan will consider the needs of the SBCERA portfolio and the reasons for exceeding the utilization limit on a case-by-case basis.

2. Manager Authority

The Plan's investment managers shall have discretion and authority to direct and manage the investment and reinvestment of assets, determine portfolio strategy, determine security selection and determine timing within their asset class, subject to Policy guidelines, guidelines specific to their portfolio, applicable local, state and Federal statutes and regulations. Investment managers shall have discretion to establish and execute transactions with established regional and national securities broker/dealers as needed. Investment managers are required to achieve best available prices and most favorable executions with respect to all portfolio transactions, as market conditions permit. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Staff toward possible improvement of said policies through Board action.

**VIII. Review and Modification of Investment Plan**

The Investment Committee shall review the Plan pursuant to Policy 005 – Periodic Review of Board Policies to determine if modifications are necessary or desirable and ensure policy is implemented. If modifications are required, they shall be recommended by the Investment Committee and approved by the Board and promptly communicated to all investment managers and other interested persons.

**IX. Emergency Actions**

In response to the financial crisis of 2008, it is the Board's core belief that liquidity risk outweighs other investment risks. During periods of market disruptions it is critical to the security of the pension assets to be able to act quickly.

For these reasons, the Board delegates to the Board Chair, the Investment Committee Chair, and the CIO, acting in agreement and not acting separately, during periods of market disruptions, which involve liquidity risk when time is of the essence and it is impractical or impossible to convene a Board meeting; the power to take whatever actions under the circumstances that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. All such actions will be reviewed by the Board and ratified or unwound at the next regularly scheduled Board meeting.

**X. Agreement**

By signing this Statement of Investment Plan the Board indicates its agreement therewith.

Adopted

at San Bernardino, California on June, 2017

By: , Board Chair  
LOUIS FIORINO

Approved.

By:   
Chair of the Board

**Subject: Informed Rebalancing /Tactical Asset Allocation Policy**

## INFORMED REBALANCING / TAA POLICY

It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of investment performance. SBCERA shall tactically rebalance the investment portfolio to remain within the Board-approved target allocation ranges. As such:

The Board delegates to the Chief Investment Officer the responsibility and authority to maintain, develop, and monitor the SBCERA Informed Rebalancing/Tactical Asset Allocation Program - an internally developed, systematic, rules-based tactical asset allocation model run on the AlphaEngine™ platform. Furthermore, the Board grants the authority to tactically adjust exposures with physical assets or synthetic instruments; and substitute synthetic exposure for physical asset exposures on a strategic basis.

- All decision rules or changes thereto, shall be reviewed by the General Investment Consultant and presented to the Investment Committee with subsequent approval by the Board of Retirement prior to implementation.
- Rebalancing activities shall be reported to the Investment Committee and/or Board and General Investment Consultant on a monthly basis.
- Illiquid assets expand or contract target ranges based on under-funding or over-funding, respectively. For example, if real estate target is 8%, and actual is 10%; then total derivative exposure must be reduced by 2% to accommodate the over-allocation to real estate.
- Positioning within the ranges, or outside ranges with regard to illiquid asset impact, is based on the conviction of the model output.
- Directing cash flows, physical trades, and/or adjusting exposures synthetically through a third-party fiduciary is required.
- Allowable instruments include long and short exposure to futures, options, swaps, or combinations thereof. Volatility exposure through derivatives as a substitute for the underlying asset classes is permitted as well.
- Over the Counter (OTC) counter-party exposures will be reported to the General Investment Consultant, Investment Committee and Board as needed.



<b>POLICY NO.</b>	003	<b>Issue No.</b>	2.0
<b>Committee:</b>	Investment Comm.	<b>Effective Date:</b>	07/06/2017
<b>Policy Category:</b>	Investments	<b>Page(s)</b>	1

Approved.

By:   
Chairman of the Board

**Subject: RFP SEARCH POLICY**

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### RFP SEARCH POLICY

The San Bernardino County Employee's Retirement Association (SBCERA) is a public retirement system charged with administering a pension trust. The SBCERA Board of Retirement (Board), has delegated manager recommendations to the SBCERA staff. This Policy is intended to provide a comprehensive guidance document as to which processes should be employed by staff and consultants to finalize manager engagement recommendations for Board approval, including the use of RFP processes or other manager selection methods as appropriate.

- A. If applicable, minimum criteria will be established for the mandate by Staff, in conjunction with the Board's Investment Consultant.
- B. If SBCERA determines that public notice will benefit the process, public notice will be placed through an advertisement in at least one national business publication.
- C. Staff and the Consultant will develop a recommended list of candidates.
- D. SBCERA Staff, with the assistance of the Board's investment consultant, will analyze proposals based on criteria deemed appropriate, and will submit a memorandum to the Investment Committee and thereafter to the Board, indicating recommended firm(s), documenting the search process, and explaining the rationale behind the conclusions.
- E. SBCERA Staff and the Consultant will independently review and score all submitted proposals which meet minimum qualifications to ascertain those which are most advantageous to SBCERA. Those proposals deemed most advantageous will be submitted to the Investment Committee for review.
- F. The Investment Committee will review recommendation(s) from both SBCERA Staff and the Consultant on recommended firm(s).
- G. Finalist(s) may be invited to present to the Investment Committee.
- H. If advantageous to the process, Investment Committee may recommend that the Board interview the finalist firm(s), or the Board may so direct. Otherwise, the Investment Committee may, in its discretion, make a recommendation for a selection, which will be forwarded to the Board for approval.



**POLICY NO.** 004  
**Committee:** Investment Comm.  
**Policy Category:** Investments

**Issue No.** 2.0  
**Effective Date:** 08/04/2005  
**Page(s)** 1

**Approved.**



By: \_\_\_\_\_  
Chairman of the Board

**Subject: ALTERNATIVE RFP SEARCH POLICY**

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**ALTERNATIVE RFP SEARCH POLICY**

- A) If applicable, Minimum criteria will be established for the mandate by Staff, in conjunction with the Consultant and approved by the Investment Committee.
- B) If SBCERA Staff deems that public notice will benefit the process, public notice will be placed through an advertisement in at least one national business publication.
- C) Staff and the Consultant will develop a recommended list of candidates.
- D) SBCERA Staff, with the assistance of the Board's investment consultant, will analyze firms based on criteria deemed appropriate and submit a report indicating recommended firms, documenting the search process, and the rationale behind the conclusions.
- E) The Investment Committee will review recommendations from both SBCERA Staff and the Consultant on recommended firms
- F) If advantageous to the process, The Board will interview the "finalist" firm(s). Otherwise, a selection will be made by the Investment Committee and recommended to the Board for approval.

**RESCINDED BY BOARD 07/06/2017**



**POLICY NO.** 005  
**Committee:** Investment Comm.  
**Policy Category:** Investments  
**Issue No.** 2.0  
**Effective Date:** 06/01/2017  
**Page(s)** 1

**Approved**

By:   
Chairman of the Board

**Subject: SECURITIES LENDING**

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### SECURITIES LENDING

The Board has authorized the execution of a "Securities Lending Program" which will be performed by the custodian or qualified third party securities lending agent(s). The program is monitored and reviewed by the Staff and was established by a written agreement authorized by the Board.



**POLICY NO.** 006  
**Committee:** Investment Comm.  
**Policy Category:** Investments

**Issue No.** 2.0  
**Effective Date:** 10/05/2017  
**Page(s)** 1

**Approved**

By:   
Chairman of the Board

**Subject: MANAGER TERMINATION CRITERIA**

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### MANAGER TERMINATION CRITERIA

SBCERA reserves the right to terminate an investment manager for any reason. Grounds for investment manager termination may include, but are not limited to, the following:

- a. Failure to comply with the guidelines agreed upon for management of SBCERA's portfolio, including holding restricted issues.
- b. Failure to achieve performance objectives specified in the manager's guidelines.
- c. Significant deviation from the manager's stated investment philosophy and/or process.
- d. Loss of key personnel.
- e. Evidence of illegal or unethical behavior by the investment management firm.
- f. Lack of willingness to cooperate with reasonable requests by SBCERA for information, meetings or other material related to its portfolios.
- g. Loss of confidence by the Board in the investment manager.
- h. A change in the Plan's asset allocation program which necessitates a shift of assets to a different investment style.

The presence of any one of these factors will be carefully reviewed by SBCERA's Board, but will not necessarily result in an automatic termination.

**Approved.**

By: *Couis Fournio*  
Chair of the Board

**Subject: DUE DILIGENCE POLICY**

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**Policy** It is the Board's policy to conduct various levels of due diligence to engage investment managers and monitor investments for the purpose of meeting its fiduciary obligations.

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**Definition** Due Diligence is a broadly based term comprised of many meanings within the institutional investment community. In plain language, it means appropriate carefulness. Within a legal sense, it means the degree of care that a prudent person would exercise. At SBCERA, the Board has elevated due diligence with the goal of providing an added level of risk management and oversight. This is done through the use of a multi-pronged approach which is comprised of distinct, but inter-related components, which are carried out over the life of the investment from pre-hire to wind-down.

These components include:

- Investment due diligence,
- Operational due diligence, and
- Legal due diligence and Compliance monitoring.

Investment due diligence differs from on-going portfolio monitoring in key ways. Monitoring meetings are often characterized by a portfolio/manager update or specific topical discussion related to the portfolio/manager; whereas due diligence consists of high-level review of the account as a whole which will include, but is not limited to, a review of the total portfolio and the resources the firm uses to implement the SBCERA mandate. The purpose of the investment due diligence meeting is to build familiarity with the manager, portfolio strategy, performance review/expectations, and provide high-level investment education to the participating Trustees.

**Background (The Search Process)** Once a search process is initiated and as part of the selection process, Pre-Hire Investment Due Diligence is conducted at the manager's business location (on-site) to further assess and confirm investment philosophy, strategy and implementation. This is an important step to verify the written documentation provided by the manager during the search process.

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# Policy No. 007: Due Diligence, Continued

**Investment Due Diligence**

<b>Pre-Hire:</b>
<ul style="list-style-type: none"> <li>• Conducted by Staff and/or Consultant</li> <li>• Conducted at Manager’s location</li> <li>• Assess/confirm investment philosophy, strategy, and implementation</li> <li>• Verify written documentation provided by manager during search</li> </ul>
<b>Post-Hire:</b>
<ul style="list-style-type: none"> <li>• Conducted by Staff and Trustees (see Brown Act Considerations)</li> <li>• Conducted remotely or on-site</li> <li>• Monitoring and Compliance</li> </ul>

**Operational Due Diligence**

<b>Pre-Hire:</b>
<ul style="list-style-type: none"> <li>• Conducted by an external, independent accounting and auditing firm, specializing in investment management compliance or audits, or an external, and independent, operational due diligence firm.</li> <li>• Conducted at Manager’s location</li> <li>• Establishes a baseline and overview of the firm’s back office, trading and compliance capabilities</li> <li>• Ensures proper risk management procedures and internal controls are in place prior to funding a manager (i.e., background investigations as to any formal or informal investigations by financial regulatory authorities, interviews with executives, portfolio managers, compliance, traders and even lower level staff).</li> <li>• Assessment of the firm’s general attitude and philosophy in regard to openness and compliance.</li> </ul>
<b>Post-Hire:</b>
<ul style="list-style-type: none"> <li>• Conducted remotely or on-site</li> <li>• On-going visits and remote monitoring procedures to check for changes to programs, personnel, systems and ongoing compliance capabilities.</li> <li>• Provide a verification of appropriate fees being charged with respect to the account.</li> </ul> <p>Note: Standard operational due diligence reviews are typically three-day on-site visits with follow-up visits at least every four years and periodic remote monitoring in the interim.</p>

*Continued on next page*

## Policy No. 007: Due Diligence, Continued

### Legal Due Diligence and Compliance

<b>Legal (Pre-Hire):</b>
<ul style="list-style-type: none"><li>• Contracting process utilizes a team approach implemented by approved external law firms, in conjunction with Chief Counsel and investment staff.</li><li>• Review legal, pre-hire questionnaire required from each manager</li><li>• Ensure that the contract complies with applicable laws and regulations and that SBCERA is protected from legal risks (Internal and external counsel)</li><li>• Ensure the investment strategy purported is congruent in all legal documents; and that managers are held, at a minimum, to professional and fiduciary standards that are both prevalent to the manager's industry and satisfactory to SBCERA. (All)</li><li>• Review and confirm fees, hurdle rates, gating provisions, redemption provisions, prohibited transactions or exposures, and key man provisions. (All)</li><li>• Business related decisions are negotiated by Investment staff.</li></ul> <p>Note: The execution of the final negotiated contract is the responsibility of the Chief Executive Officer. The Chief Investment Officer shall then have the authority to execute any and all additional documents necessary to implement the Board's decision to approve the investment.</p>
<b>Compliance (Post-Hire):</b>
<ul style="list-style-type: none"><li>• Monitor contracts to ensure that agreed upon terms outlined within the contract are met over the life of the contract. (e.g., Key man provisions, insurance coverage, and assets under management). (Investment staff)</li><li>• Monitor for compliance factors (e.g., guideline monitoring, use of leverage, style drift, proxy voting, trade allocations, soft dollar trades, commission recapture, security pricing procedures, account administration and reporting). (Investment Staff)</li></ul>
<b>Other:</b>
The Board has engaged the services of a third-party provider to monitor securities litigation and track the compliance and performance of the Plan's custodian with regard to this investment related program.

*Continued on next page*

**Policy No. 007: Due Diligence, Continued**

**Remote vs. On-site Due Diligence**

Monitoring and Compliance consists of two components – both remote and onsite reviews.

Remote strategy reviews consist of in-person, video, or audio teleconferences held at SBCERA offices, or other selected venues, with investment managers on at least an annual basis. More frequent video teleconferencing and other forms of communication may be utilized as market conditions or manager-specific issues warrant. Managed Custodial Account (MCA) managers will typically be consulted more often throughout the year. Conducted by Investment staff, with up to four Board Members in attendance (see Brown Act Considerations), these sessions are an economical and prudent method to ensure staff and the Board stay abreast of manager or strategy-related issues.

On-site or remote investment due diligence is required for all managers, at least once every three years. Typically, managers will be subject to such due diligence every other year. Managers that will not be visited at least once every three years must be approved for exception by the Board. A minimum of one staff member is required at each on-site meeting; consultant support is recommended but not required. The precise manner of conducting investment due diligence shall be decided based upon the following criteria: (1) cost; (2) whether due diligence can be effectively conducted by video conference or other remote means, or whether physical access to the manager’s staff and facilities is required; (3) if travel to the manager’s facilities is required and the manager is based outside the continental United States, whether due diligence can be effectively conducted by a visit to an office in the continental United States, or whether overseas travel is necessary; (4) the length of time that has passed since due diligence has been conducted for the manager; (5) whether staff, trustees, or consultants are aware of specific concerns regarding the manager; (6) the avoidance of any appearance of waste or impropriety; and (7) other considerations as appropriate.

Note: Chief Investment Officer may defer selected remote or on-site meetings depending upon schedule conflicts or other business considerations.

*Continued on next page*

# Policy No. 007: Due Diligence, Continued

## Responsibility and Frequency

Due Diligence	On-Site	Responsible				Frequency				
		Staff	Trustees	Consultant	External Contractor	Monthly	Annually	Every 3-years	Every 4-years	As Needed
<b>PRE-HIRE</b>										
Investment	X	X		X		Pre-hire Investment due diligence is performed <i>prior</i> to presentation / recommendation to the board. Pre-hire Operational and Legal contracting due diligence are performed <i>after</i> presentation to the board.				
Operational	X				X					
Legal Contracting		X			X					
<b>MONITORING/COMPLIANCE</b>										
Investment	X	X	X*	X*				X		
Remote Investment		X	X*				X			
Guideline Compliance		X			X	X				
Operational Review	X**	X***			X				X	
Legal Compliance		X			X					X

\*Attend meetings as available

\*\*May be conducted remotely as determined by auditor

\*\*\*Staff provides feedback and additional direction as needed.

## Exceptions

On-site and remote due diligence is conducted on all investment managers unless presented to the Board to request an exception to the policy. Exceptions are typically sought primarily when an investment is in a redemption status, also referred to as the investment being in “wind-down”.

## Brown Act Considerations

For reasons relating to The Brown Act (Government Code §54950-54962) governing meeting access for local public bodies, no more than two (2) Investment Committee members and no more than four (4) total Board members may attend the same scheduled due diligence trip or remote due diligence session, regardless of the number of manager reviews.

## Delegation

The Board delegates the development and the implementation of the SBCERA due diligence program as provided in this policy. The Chief Investment Officer is granted authority to approve all travel related to pre-hire, on-site due diligence.

## Effective date

August 2, 2018





**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

008  
Investment Comm.  
Investments

**Issue No.** 4.0  
**Effective Date:** 09/06/2018  
**Page(s)** 2

By: *Cousis Fiorino*  
Chair of the Board

**Subject: SECURITIES LITIGATION POLICY**

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**SECURITIES LITIGATION POLICY**

**Purpose:**

The Board of Retirement for the San Bernardino County Employees' Retirement Association (SBCERA) adopts this policy for monitoring and participating in securities litigation class action law suits.

**Principles:**

As a public pension plan and institutional shareholder, SBCERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others whose securities SBCERA holds as investments in the Trust.

The enactment by Congress of the Private Securities Litigation Reform Act (PSLRA) in 1995 allows institutional investors and other large shareholders to seek lead plaintiff status in securities class actions. Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders.

The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor domestic and international securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by the members of the class.

**Policies:**


1. The Board of Retirement delegates the filing and reporting of all proofs of claim in securities litigation class action law suits for which SBCERA is eligible to SBCERA's Custodian.

2. Both SBCERA's Custodian and Securities Litigation Monitoring Firm shall provide no less than quarterly reports on securities litigation class action law suits in which SBCERA is or is eligible to be a class member, which shall be monitored by Chief Counsel or his or her designee, in cooperation with the Chief Investment Officer or his or her designee or with such other staff member as the Chief Executive Officer may designate.
3. The Board of Retirement has determined that there is little or no value added to the pension fund from being a lead plaintiff in domestic securities litigation. The Board of Retirement will only reconsider becoming a lead plaintiff in domestic securities litigation case, or in an international securities litigation case that is substantially similar to a domestic class action, where: (1) the estimated loss to SBCERA exceeds \$10 Million; (2) no institutional investor has petitioned the court to become lead plaintiff; and, (3) lead plaintiff status is recommended by both SCBERA's Chief Counsel and Chief Executive Officer.
4. Participation in international securities litigation that is not substantially similar to a domestic class action case will be based on the following considerations: (1) the cost to participate, including any attorneys' fees, is not so high as to reduce recovery below the point where participation is prudent; and, (2) both Chief Counsel and Chief Executive Officer, after reviewing the case and considering cost to participate and any other risks, the likelihood of recovery, and the likely size of such recovery, make a recommendation to participate.



**POLICY NO.** 009  
**Committee:** Board of Trustees  
**Policy Category:** Investments  
**Approved.**

**Issue No.** 5.0  
**Effective Date:** 11/01/2018  
**Page(s)** 4

By:   
Chair of the Board

**Subject: PROXY VOTING POLICY**

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## SBCERA Investment Plan, Policy and Guidelines

### PROXY VOTING POLICY

#### POLICY

In accordance with California Government Code sections 7450 and 7451 and its fiduciary responsibility, SBCERA adopts the following proxy voting policy. Resolution of management and shareholder issues must be directed towards maximizing equity value, not to entrench the current management team or subject the company to excessive outside influences which are not focused on maximizing shareholder value. In implementing this policy, SBCERA may have its proxies voted by an independent third party or other named fiduciary or agent.

#### **I. IMPLEMENTATION**

This policy may be implemented through SBCERA's contractual relationships with its respective investment managers for asset classes involving ownership of common stock. Means of implementation may include:

- A. The manager's acceptance of this policy and agreement to vote proxies in compliance with it, either directly or through a third party service provider;
- B. SBCERA's review and acceptance of the manager's proxy voting policy, if it is consistent with the philosophy articulated herein and is designed to maximize the equity value of SBCERA's holdings and otherwise advance the goals underlying the investment; or
- C. SBCERA's direct implementation of this policy, either by SBCERA staff or through a third party service provider.

The mechanism for implementation shall be chosen at the discretion of the Chief Investment Officer or his or her designee, in a manner that is consistent with and promotes the goals of this policy.

## II. VOTING GUIDELINES

The following guidelines are designed to be responsive to the wide range of subjects that can have a significant effect on the investment value of the securities held in SBCERA's accounts. These guidelines are not exhaustive due to the variety of proxy voting issues that SBCERA may be required to consider. SBCERA reserves the right to depart from these guidelines in order to avoid voting decisions that it believes may be contrary to its best interests. In voting proxies, we will apply the following general guidelines:

### A. Elections of Directors:

Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favor of the management proposed slate of directors. That said, we believe that directors have a duty to respond to shareholder actions that have received significant shareholder support. We may withhold votes for directors that fail to act on key issues such as failure to submit a rights plan to a shareholder vote and failure to act on tender offers where a majority of shareholders have tendered their shares.

### B. Appointment of Auditors:

SBCERA believes that the company remains in the best position to choose the auditors and will generally support management's recommendation. However, we recognize that there may be inherent conflicts when a company's independent auditor performs substantial non-audit related services for the company. Therefore, we may vote against the appointment of auditors if the fees for non-audit related services are disproportionate to the total audit fees paid by the company or there are other reasons to question the independence of the company's auditors.

### C. Changes in Capital Structure:

Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature, driven by changes in laws or regulation. Absent a compelling reason to the contrary, SBCERA will cast its votes in accordance with the company's management on such proposals. However, we may review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company. For example, we will generally support proposals to increase authorized common stock when it is necessary to implement a stock split, aid in restructuring or acquisition or provide a sufficient number of shares for an employee savings plan, stock option or executive compensation plan. However, a satisfactory explanation of a company's intentions must be disclosed in the proxy statement for proposals requesting an increase of greater than one hundred percent of the shares outstanding. We will oppose increases in authorized common stock where there is evidence that the shares will be used to implement a poison pill or another form of anti-takeover device.

**D. Corporate Restructurings, Mergers and Acquisitions:**

SBCERA believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, SBCERA may analyze such proposals on a case-by-case basis.

**E. Proposals Affecting Shareholder Rights:**

SBCERA believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and generally oppose measures that seek to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

**F. Corporate Governance:**

SBCERA recognizes the importance of good corporate governance in ensuring that management and the board of directors fulfill their obligations to the shareholders. We favor proposals promoting transparency and accountability within a company. For example, we will vote for proposals providing for equal access to proxies and a majority of independent directors on key committees.

**G. Anti-Takeover Measures:**

SBCERA believes that measures that impede takeovers or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. SBCERA will generally oppose proposals, regardless of whether they are advanced by management or shareholders, if the purpose or effect of which is to entrench management or dilute shareholder ownership. Conversely, SBCERA will support proposals that would restrict or otherwise eliminate anti-takeover measures that have already been adopted by corporate issuers. For example, we will support shareholder proposals that seek to require the company to submit a shareholder rights plan to a shareholder vote. SBCERA will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, SBCERA will generally oppose proposals put forward by management (including blank check preferred stock, classified boards and supermajority vote requirements) that appear to be intended as management entrenchment mechanisms.

**H. Executive Compensation:**

SBCERA believes that company management and the compensation committee of the board of directors should, *within reason*, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a shareholder or management, SBCERA will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and

shareholders are properly aligned. SBCERA will analyze the proposed plans to ensure that shareholder equity will not be excessively diluted, the option exercise price is not below market price on the date of grant and an acceptable number of employees are eligible to participate in such programs. As a general rule we strongly support the granting of restricted stock rather than stock options, and SBCERA will generally oppose plans that permit re-pricing of underwater stock options without shareholder approval. Other factors such as the company's performance and industry practice will generally be factored into our analysis. SBCERA will support proposals to submit severance packages triggered by a change in control to a shareholder vote and proposals that seek additional disclosure of executive compensation. Finally, SBCERA will support shareholder proposals requiring companies to expense stock options because SBCERA views them as a corporate expense.



<b>POLICY NO.</b>	010	<b>Issue No.</b>	2.0
<b>Committee:</b>	Investment Comm.	<b>Effective Date:</b>	06/07/2018
<b>Policy Category:</b>	Investments	<b>Page(s)</b>	2

**Approved.**

By:   
Chair of the Board

**Subject: INSURANCE FOR INVESTMENT MANAGERS**

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### Insurance Requirements

Without limiting an Investment Manager's obligation for indemnification, Manager will provide and maintain at its own expense during the term of any Investment Management Agreement or similar agreement with SBCERA a program of insurance that, in the judgment of the Chief Investment Officer in consultation with Chief Counsel, ensures that the Manager has sufficient insurance coverage to effectively cover any obligation that might arise as a direct or indirect result of the Manager's relationship with SBCERA. In determining the sufficiency of such coverage, the Chief Investment Officer and Chief Counsel shall consider the types of coverage available, the types of exposure that can reasonably be anticipated, the availability of such coverage in light of prevailing market conditions, and the importance of the specific investment(s) to SBCERA's portfolio. Coverages and terms and conditions to be considered shall include, but not be limited to, coverage against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by Manager, its agents, representatives or employees, legally mandatory coverages such as automobile and worker's compensation coverage, coverage for professional errors and omissions, fiduciary liability, and cyber liability. Such coverage, if market conditions permit, include a fidelity or financial institution bond covering employee dishonesty and computer theft. All coverage required under this policy should, where market conditions permit: (a) be primary to and not contributing with any other insurance maintained by the SBCERA and/or the County of San Bernardino; (b) be provided by insurer(s) rated A or better by an industry recognized rating agency or otherwise approved in writing by the SBCERA; (c) be supported by evidence of such insurance, in a form satisfactory to the SBCERA; (d) be delivered to the SBCERA on or before the effective date of the Investment Management Agreement or similar agreement; (e) be accompanied by a written statement from the insurer that SBCERA is to be given commercially reasonable written notice in advance of any material modification or termination of any policy of insurance; and (f) place commercially reasonable limitations and notification and approval requirements on any deductibles and self-insured retentions. Manager will supply certificates of insurance which substantially comply with the requirements of this policy. SBCERA shall retain, where commercially reasonable, the right at any time to review the coverage, form, and amount of the insurance required hereby. If in the opinion of SBCERA the insurance provisions in these requirements do not provide adequate

**POLICY: Insurance For Investment Managers**

**Page 2**

protection for SBCERA and its members, SBCERA and Manager shall meet to discuss insurance coverage, sufficient in form and amount to provide adequate protection.

Manager shall maintain throughout the term of any Investment Agreement errors and omissions insurance to cover the Manager and its agents for errors, omissions, and losses arising from the services provided under any Investment Agreement. The insurance policy limit and the amount of the bond maintained by the Manager under this policy shall be consistent with industry standards, the underlying capitalization of Manager, and the amount and type of assets under investment.





**POLICY NO.** 011  
**Committee:** Investment Comm.  
**Policy Category:** Investments

**Issue No.** 2.0  
**Effective Date:** 10/05/17  
**Page(s)** 1

**Approved.**

By: *Ronnie Fionio*  
Chairman of the Board

**Subject: COMMISSION RECAPTURE POLICY**

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### COMMISSION RECAPTURE POLICY

Commission recapture programs can enable pension plans to recover a portion of their brokerage costs (often the soft-dollar component) with participating brokers by rebating back to the pension a portion of those brokerage costs. Soft dollars are a directed brokerage practice in which an asset manager receives services (such as research, or data) in consideration for commissions paid to the broker above the costs for simple trade execution services.

The Board has authorized the execution of a "Commission Recapture Program" which will be performed by a qualified third party agent(s). The program is monitored and reviewed by staff and was established by a vote of the Board.

1. The commission recapture program will have a benchmark of the baseline trading costs of the year prior to its inception.
2. SBCERA reserves the right to cancel the program for any reason.




**POLICY NO.** 012  
**Committee:** Investment Comm.  
**Policy Category:** Investments

**Issue No.** 2.0  
**Effective Date:** 10/05/2017  
**Page(s)** 2

**Approved.**

By:



Chairman of the Board

**Subject: ASSET TRANSITION POLICY**

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## ASSET TRANSITION POLICY

### I. General

- a. The purpose of this asset transition policy is to set forth objectives and guidelines to be followed in the transition of assets for the San Bernardino County Employees' Retirement Association.

### II. Objectives

- a. Transfer assets while controlling for unintended risk
- b. Transfer assets with operational efficiency
- c. Transfer assets in a timely fashion

### III. Guidelines

- a. Identify costs
  - i. Explicit and implicit costs
- b. Identify complexity of assets
- c. Identify the trading plan
  - i. Agency or Principal trading
- d. Identify the benchmark
- e. Identify accountability

The above policy proposal instructs Staff with the assistance of the Board's investment consultant to implement a transition of assets while not involving the Board with the procedure of the transition.

The above objectives: Controlling for unintended risk, and transferring assets efficiently and timely can be measured and evaluated. The guidelines illustrate the five factors the Staff will need to communicate not only to the Board, but the managers when implementing a transition of assets.

**Terminology:**

**Unintended Risk:** The Board of Retirement has made investments with the funds based on a certain risk and return profile identified in periodic asset allocation studies. These risks are intended. The transition can cause a mismatch between what is intended and what is incurred. For instance, an allocation moved from international equity to emerging market debt could have a large intra-day allocation to cash. This would be an unintended risk, and a risk that the transition manager would be held accountable.

**Operational Efficiency:** The transition should access liquidity without revealing any information about the transition. Moreover, operational efficiency requires that a fair value be established for the portfolio.

**Timely:** Balance the cost of delay with the cost of liquidity.

**Identify Costs:** Explicit costs include all fees. Implicit costs are those associated with day-to-day trading. Liquidity costs are one consideration. However, some costs are also associated with the trading strategy. For instance, in an agency trade, the actual transition costs are variable. The fund bears the risk. In a principal transaction, the broker bears the execution risk, but the fund will likely have to pay for that insurance.

**Identify Complexity of Assets:** Assets are typically separated into three main categories – Level One, Two, and Three assets. Level One are the category of assets that most naturally lend themselves to transition management as they are the most liquid and easiest assets to trade. Level Two and Three assets are progressively less liquid and benefit most from being left with the investment manager to sell-down.

**Identify Trading Strategy:** Depending on the asset class and complexity the Staff will identify the approach to transition – principal trades when necessary, but with a preference for agency trades if possible.

**Identify Benchmark:** The benchmark will measure the transition approach while maintaining accountability.

**Identify Accountability:** The project will have milestones with parties being accountable to completing those steps.



**POLICY NO.** 013  
**Committee:** Investment Comm.  
**Policy Category:** Investments

**Issue No.** 2.0  
**Effective Date:** 06/01/2017  
**Page(s)** 1

**Approved.**

By:   
Chairman of the Board

**Subject: FIDUCIARY DUTY OF INVESTMENT MANAGERS**

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**FIDUCIARY POLICY**

All investment managers in the performance of their duties with respect to SBCERA's assets under their management shall act in a fiduciary capacity in conformance with the California Constitution, article XVI, § 17 and California Government Code sections 31594 and 31595, unless a lesser standard of fiduciary duty is necessary because of generally prevailing industry standards for an investment of that type and nature. Any such generally prevailing industry standard shall be established upon the written advice of SBCERA's investment consultant.



<b>POLICY NO.</b>	014	<b>Issue No.</b>	3.0
<b>Committee:</b>	Investment Comm.	<b>Effective Date:</b>	9/6/2018
<b>Policy Category:</b>	Investments	<b>Page(s)</b>	2

Approved.

By:   
Chair of the Board

**Subject: PARTICIPATION ON ADVISORY COMMITTEES/BOARDS**

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### PARTICIPATION ON ADVISORY COMMITTEES/BOARDS

The Board delegates to the Chief Investment Officer the authority, in consultation with the Chief Executive Officer, to appoint designee(s), as SBCERA's representative to any advisory committee or board established in connection with any of the limited partnerships or similar entities in which SBCERA invests ("Funds") on a case-by-case basis consistent with the following provisions:

1. Except as provided in paragraph 2, SBCERA will reimburse all reasonable expenses and costs directly related to the SBCERA representative's participation on such committee or board including but not limited to attendance and participation at an advisory committee or board meeting, provided the SBCERA Board or Chief Executive Officer, as appropriate, has approved such request in advance.
2. The Fund may cover the travel costs for the SBCERA representative's participation in advisory committee or board meetings, directly or by providing reimbursement to SBCERA, to the extent that such payment is provided on an equal basis to all committee or board members pursuant to the governing documents of the Fund, such payment is specifically authorized in the written agreement between SBCERA, and the general partner or similar entity ("Manager"), and such payment is permissible under applicable law and would not result in the receipt of a reportable gift by the SBCERA representative. Neither SBCERA nor its representative will otherwise accept any form of remuneration from the Fund or the Manager for serving on an advisory committee or board.
3. The Manager will agree that the representative shall not receive, review or otherwise have access to any confidential information that is not readily available to all other investors in the Fund ("Investors").
4. The Private Placement Memorandum, the Offering Memorandum or any similar document (the "Fund Document") shall specify that the Manager and all Investors waive any claim, including but not limited to subrogation rights, against SBCERA or its representative, provided such representative acted in good faith.

**POLICY: Participation On Advisory Committees/Boards**

**Page 2**

5. The Fund Document shall further provide that the Manager and the Fund will indemnify SBCERA and its representative for any claim against the Fund, the Manager, SBCERA or its representative, provided that the representative acted in accordance with the rights of Indemnification and Exculpation as more fully set forth in the Fund Document.
6. The Manager reviews this policy and agrees in writing to cooperate to achieve compliance with it.

<b>POLICY NO.</b>	015	<b>Issue No.</b>	2.0
<b>Committee:</b>	Investment Comm.	<b>Effective Date:</b>	10/05/2017
<b>Policy Category:</b>	Investments	<b>Page(s)</b>	1

*Approved*

By:



Chairman of the Board

**Subject:                    TRANSACTIONS WITH FORMER BOARD MEMBERS AND OFFICERS OF SBCERA**

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**TRANSACTIONS WITH FORMER BOARD MEMBERS**  
**AND OFFICERS OF SBCERA**

SBCERA will not contract with any new or existing investment manager, general partner, or investment advisor that has, within the preceding 12 months, employed any SBCERA officer, staff member, or Board member.



**POLICY NO.** 016  
**Committee:** Investment Comm.  
**Policy Category:** Investments  
**Approved**

**Issue No.** 2.0  
**Effective Date:** 10/05/2017  
**Page(s)** 4

By:

Chairman of the Board

**Subject: DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS AND CAMPAIGN CONTRIBUTIONS**

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**DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS  
AND CAMPAIGN CONTRIBUTIONS**

*This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.*

**I. PURPOSE**

This Policy sets forth the circumstances under which the San Bernardino County Employees' Retirement Association (SBCERA) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with SBCERA investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom SBCERA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. SBCERA adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that SBCERA investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to SBCERA.

**II. APPLICATION**

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SBCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred



to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

### **III. RESPONSIBILITIES**

A. The Board is responsible for:

1. Not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. Not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.
2. Providing the following information to the SBCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
  - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SBCERA investments.
  - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SBCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
  - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof.

- d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External with all prospective clients or only with a subset of the External Manager's prospective clients.
  - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
  - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
  - g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
  - h. The names of any current or former SBCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
  4. Representing and warranting the accuracy of the information described in section B above
- C. Each Placement Agent is responsible for:
1. Disclosing to SBCERA, prior to acting as a Placement Agent to SBCERA all campaign contributions made by the Placement Agent to any elected SBCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any elected SBCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SBCERA investment shall also be disclosed.
  2. Disclosing to SBCERA, prior to acting as a Placement Agent to SBCERA all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SBCERA Board Member during

the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SBCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SBCERA investment shall also be disclosed.

**D. SBCERA Investment Staff ("Staff") are responsible for:**

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.



<b>POLICY NO.</b>	017	<b>Issue No.</b>	3.0
<b>Committee:</b>	Investment Comm.	<b>Effective Date:</b>	05/03/2018
<b>Policy Category:</b>	Investments	<b>Page(s)</b>	1

**Approved**

By: 

Chair of the Board

**Subject: ALTERNATIVE INVESTMENT STRUCTURES**

**ALTERNATIVE INVESTMENT STRUCTURES**

**Background**

The Board is aware that reviewing tax treatment is a highly fact specific activity, and as a result directs Staff to select the most favorable tax treatment in consultation with tax counsel and advisors. The Board is also aware of unresolved IRS issues dealing with unrelated business income tax and the myriad of legal opinions addressing the subject. Under IRS section 115, income derived from the exercise of an essential governmental function and accruing to a state or any political subdivision thereof is excluded from gross income for federal tax purposes. This policy codifies the Board's July 5, 2012 criteria to use onshore alternative investment structures if using an offshore structure will create for SBCERA Adverse Tax Consequences (ATC), examples of which include, but are not limited to 'effectively connected income' (ECI), any upfront withholding tax collected by a counterparty, or loss of United States treaty protections. In addition, this policy clarifies the Board's tax exemption position.

**Policy**

The Board directs staff to invest in onshore alternative investment structures, unless, after a fact specific evaluation was completed, using an offshore alternative investment structure was tax advantageous for SBCERA.

In addition, SBCERA asserts that it is an essential government function, and is tax-exempt under IRS section 115.



**POLICY NO.** 018 **Issue No.** 2.0  
**Committee:** Investment Comm. **Effective Date:** 12/07/2017  
**Policy Category:** Investments **Page(s)** 1  
**Approved**

By:   
Chairman of the Board

**Subject: INTERNATIONAL SWAP DEALER ASSOCIATION AGREEMENTS AND PRIME BROKER AGREEMENTS**

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**INTERNATIONAL SWAP DEALER ASSOCIATION AGREEMENTS  
AND PRIME BROKER AGREEMENTS**

**Background**

Unlike public equity which is traded on a stock exchange, derivatives and other alternative investments are traded by means of an International Swap Dealer Association Agreement (ISDA). Similarly, securities borrowing through a credit facility for investments that use hedge and short strategies are accomplished through a Prime Broker Agreement (PB). SBCERA's alternative investment and securities borrowing strategies are often accomplished through the ISDAs and PBs that SBCERA's managers have negotiated for themselves with investment banks. SBCERA has determined that there are advantages to negotiating its own ISDAs and PBs with investment banks for the purpose of executing these strategies. This policy codifies the Board's decision of January 7, 2010, to negotiate its own ISDAs and PBs.

**Policy**

Where SBCERA's interests in derivatives, alternative investments, and securities borrowing strategies are not adequately protected by investment managers, where SBCERA would have greater control over documentation of the investment and disputes with managers, or where significant legal fees and other expenses can be minimized, the Board directs staff to use ISDAs and PBs that SBCERA has separately negotiated with investment banks.



**POLICY NO.** 019 **Issue No.** 2.0  
**Committee :** Investment Comm. **Effective Date:** 12/07/2017  
**Policy Category:** Investments **Page(s)** 2  
**Approved**

By:   
Chairman of the Board

**Subject: COUNTERPARTY RISK POLICY**

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## COUNTERPARTY RISK POLICY

### Background

The Board is aware that derivative contracts involve counterparties. This policy codifies the existing SBCERA protocols and approach to counterparty risk management as well as outlines Investment Manager responsibilities.

### Policy

SBCERA has a strong preference for using counterparties that are regulated by the 1934 Securities Exchange Act. We believe the 1934 Securities Exchange Act provides the best protection for assets held as collateral at the bank. SBCERA in all cases with counterparties seeks to exchange cash flows to mitigate the potential for SBCERA capital to be held by a defaulting entity. SBCERA is highly skeptical to provisions that only apply to SBCERA and not to the other counterparty.

### Contracts covered by International Swaps and Derivatives Association (ISDA)

ISDA contracts have three components: The Master Agreement, the Schedule, and the Credit Support Annex. Master Agreements are updated periodically. At the time of this writing, there are two of the ISDA Master Agreements (1992 and 2002). SBCERA was advised by counsel at K&L Gates that the 1992 ISDA Master Agreement is more favorable. SBCERA will generally negotiate to use the 1992 version.

SBCERA will negotiate for \$0 dollar thresholds; this means that neither party has a buffer before cash is exchanged. Much like a futures contract, SBCERA would like to settle each day with the counterparty.

SBCERA will negotiate for low minimum transfer amounts (\$250,000); this provision ensures that if the daily change in balance between the counterparties is more than \$250,000 the parties will transfer that cash. This minimum transfer amount attempts to balance the operational burdens of transferring cash between parties and mitigating the potential stranded assets in case of default.

SBCERA is suspicious of all Additional Termination events, and reviews this section carefully. We have successfully negotiated provisions to include rebalancing exclusions in most of the agreements as well as improved Net Asset Value (NAV) triggers.

### **Contracts covered by a Futures Clearing House**

Derivative contracts under the auspices of a Futures Clearing House (like the Chicago Mercantile Exchange) are standardized and the margin requirements of all parties are overseen by the Clearing House.

### **Counterparty Selection**

SBCERA's business needs, the bank's ability to perform, and its overall financial health will be considered before a new counterparty is engaged. SBCERA has a reluctance to proliferate counterparties. Strategies that use more counterparties are not necessarily less risky as there are more legal contact provisions to monitor; moreover, SBCERA believes the provisions governing the exchange of cash flows in the ISDA are the best protections for all involved. However, when buying options where SBCERA pays upfront (as with lending), the counterparty is a very high priority as SBCERA's upfront premium would be held by the counterparty.

### **Oversight of ISDA**

SBCERA engages investment managers to invest on our behalf. Some of those managers will use derivatives and prime brokerage for their strategies. Once an ISDA is in place, the manager is obligated to oversee the transfer of capital pursuant to the agreement, and monitor the other provisions of the agreement.

### **Investment Managers and Investing in Funds**

In cases where SBCERA has invested in a fund and the manager has responsibility to negotiate any prime brokerage agreements and ISDA documents, SBCERA expects the manager will have a policy on the selection and approval of counterparty relationships which is appropriate to the investment strategy and risks. SBCERA expects the manager to have a documented compliance process related to the oversight of the agreed upon provisions of the agreements.



**POLICY NO.** 020 **Issue No.** 2.0.1  
**Committee:** Investment Comm. **Effective Date:** 1/04/2018  
**Policy Category:** Investments **Page(s)** 18

**Approved.**

By:   
Chairman of the Board

**Subject: REAL ESTATE INVESTMENT OBJECTIVES, POLICIES AND PROCEDURES**

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**REAL ESTATE INVESTMENT OBJECTIVES, POLICIES AND PROCEDURES**

The San Bernardino County Employees' Retirement Association ("the Association" or "SBCERA") includes real estate investments in the total Plan portfolio as a means to seek, over the long term, enhanced risk/return characteristics for the Association's investment portfolio.

This document establishes the specific objectives, policies and procedures involved in the implementation and oversight of the Association's real estate program.

- The Investment **Objectives** define the role of and allocation to real estate in the broader portfolio and the resulting return expectations for the program.
- The Investment **Policies** state the limitations within which SBCERA will adhere when investing the real estate allocation.
- The Investment **Procedures** provide guidelines for the implementation of the asset class and the control and monitoring of the program.

**I. INVESTMENT OBJECTIVES**

As with all asset classes, Real Estate is intended to provide specific benefits to the Plan's trust fund, e.g., risk adjusted returns, diversification and potential for a hedge against inflation. A clear statement of these primary objectives is a key to the measurement of the real estate program success.



### **A. The Role of Real Estate**

The role of the asset class is to:

- Generate a long term, net return in contributing to the Total Plan actuarial needs
- Provide stable income distributions from seasoned investments
- Provide low correlations to traditional asset classes
- Provide a hedge against inflation when market dynamics allow

### **B. Asset Allocation**

SBCERA's asset allocation is governed by its Investment Plan, Policy and Guidelines (Policy 001), and is subject to review and revision annually by the Board. It is the intention of the Board to allow for under and overweighting of the real estate portfolio within the approved range based on market conditions.

### **C. Performance Objectives**

The performance objective of the Association's real estate portfolio is to produce a total return net of fees that meets or exceeds the expected returns over a 10 to 15 year horizon. SBCERA has approved a net return expectation of seven percent (7%) for the real estate asset class. Returns are expected to result from any one or more of the following active management strategies.

1. Actively managing those assets providing stabilized returns from cash flow in order to maintain cash flow levels over the duration of the hold period.
2. Assume life cycle or market risk to actively create/restore value for realization or stabilized hold.
3. Tactically allocate to strategies favored by market dynamics during isolated periods of time.
4. Selection of high conviction managers and strategies with above median performance expectations.

## **II. INVESTMENT POLICIES**

The Association has established policies to ensure the preservation of capital and the generation of returns commensurate with the overall risks assumed within the portfolio. The following are policies with which SBCERA will comply when managing the real estate portfolio.

**A. Portfolio Composition**

The Association divides the real estate into two sub-portfolios: (1) Core and (2) Non-Core. Each sub-portfolio is defined by its respective market risk/return characteristics and all are broadly defined in Exhibit A to this document.

**B. Performance Indices**

Analysis of performance in excess, or short of, the seven percent (7%) net return objective will be completed through the use of similarly risked pools of investment capital available through standard industry sources. All comparisons will be made on a rolling five year basis as well as other appropriate time periods and will utilize net of fee returns and indices.

Private Portfolios -

The entire Real Estate Portfolio will be compared to the National Council of Real Estate Investment Fiduciaries ("NCREIF") Property Index (NPI) -

Public Portfolio-

The Public Portfolio will be compared to the FTSE EPRA/NAREIT Developed Real Estate Index in USD. The Index is published and available to investors and managers for performance evaluation.

**C. Risk Management**

Risk Management begins with an understanding of the risks associated with each individual investment and the aggregate risk of the portfolio. In real estate, investments can be grouped and broadly defined with respect to long term risk/return expectations while short term expectations from each group will vary from market cycle to market cycle.

The SBCERA real estate portfolio composition will vary from year to year based on the going forward expectations for the market opportunities and the minimal risk necessary to achieve the net return objective. In order to achieve the return objective, while minimizing total portfolio risk, the long-term portfolio composition constraints will be as follows:

<u>Component</u>	<u>Minimum/Maximum</u>	
Core - Private	Minimum	50%
Core - Public Securities	Maximum	20%
Non-Core - Private	Minimum	30%

Composition during a market cycle may differ from the long-term constraints.

Beyond portfolio composition, additional risks exist during the implementation and investment stages. The Association will mitigate risk in a prudent manner in order to protect capital and generate returns commensurate with risks. While the program allows for 'best in class investment practices', some options will be favored over others based on current portfolio and Association needs. The following identifies how the most significant risks with respect to real estate investing are controlled or mitigated.

1. *Procedural Risk*

Attached as Exhibit B are the Defined Roles of Participants established to facilitate implementation of the program.

2. *Investment Holding Vehicle Risk*

The Association recognizes that, regardless of investment structure, real estate is an illiquid asset class. Vehicles that maximize investor control of the investment mandate are preferred however the degree of control will be balanced with need to achieve appropriate risk/return performance results. As such, the Association will allow for investment through a number of vehicle structures.

a) Individually Managed Accounts (IMA)

IMA's provide access to wholly owned/controlled assets providing optimal investment mandate controls and oversight for SBCERA. The use of the IMA structure will be limited to Core assets and utilized only when prudent diversification against systemic risk can be exercised and long term hold positions are expected at the asset level. IMA Manager(s) will assume an appropriate level of discretion, balanced by control and monitoring procedures established by the Board, Staff and Consultant.

b) Commingled Funds/Club Investments

Commingled Funds/Club Investments are structured to give a high level of discretion to the Manager. SBCERA may access Core strategies through investment through large, infinite life (Open-end) existing pools of assets providing diversification and potential liquidity for tactical investments. Additional tactical investments may be made through allocations to specific managers and strategies accessing market opportunities in a finite life (Closed-end) vehicle. Closed-end vehicles are most often used in the Non-core risk sectors. Both Commingled Funds and Club Investments pool multiple investor capital sources; Clubs limit the number of investors to generally less than five. Regardless of the risk profile, preference will be given to commingled vehicles with reasonable investor control and market competitive fees. Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, real estate investment trusts and limited liability corporations.

c) Co-Investment

Co-investments could be presented in a variety of structures depending on the source of the co-investment asset. Preference will be given to those co-investments extending the greatest level of control to the co-investment position/partnership. Most Co-investments will be side-by-side with Commingled Funds in which SBCERA is already an investor and control may be relinquished to the manager consistent with the initial investment.

### 3. *Diversification Risk*

SBCERA will seek to diversify its real estate program so as to mitigate the major risks associated with the allocation of capital into the real estate asset class.

#### a) *Manager*

Manager diversification will be managed through the use of multiple managers within risk/return sub-portfolios of Core and Non-Core strategies.

#### b) *Vehicle/Strategy*

The Association may diversify the risk associated with a single strategy through the selection of multiple investment mandates. At the time of investment, no single allocation will be more than thirty percent (30%) of the target real estate portfolio to ensure that any possible under performance of one mandate will not unduly impact the total portfolio. The Association will also optimize control by ensuring that no single investor (other than the Association) in a commingled investment has a 'controlling vote' by virtue of its' pro rata investment.

#### c) *Property Type and Location*

The Association will also diversify its exposure by property type and location. It is expected that at various points in time, the portfolio will be over/underweighted to a single property type or location by virtue of the prospects for relative returns.

With the maturation of the real estate asset class, investments have become global in nature. The Association will seek optimal risk adjusted returns within the context of opportunities located both domestically and internationally.

#### d) *Investment Size*

There is no maximum investment size for equity real estate investments, however, at no time shall the net investment value of a single property within an IMA account or a single Commingled Fund/Club/Co-investment, exceed ten percent (10%) of the net investment value of the total targeted real estate portfolio.

### 4. *Leverage Risk*

The use of leverage in the real estate portfolio can provide benefits in the form of increased diversification and enhanced returns. Leverage will also increase the gross asset exposure of the real estate allocation and amplify the impact of valuation changes on total return. The Association will use leverage limits in order to manage the downside of leverage (volatility) without excluding the benefits (diversification, alpha). The availability and cost of leverage will be factors considered in determining its use. Limits are established for each investment style based on the risk/return profile of the underlying investments. Non-recourse term financing is SBCERA's preferred approach to using leverage; recourse debt is SBCERA's least preferred approach to using leverage. Managers using recourse debt must specifically disclose terms and conditions of any recourse debt.

a) Core Equity- 50% Portfolio Leverage Limit

Core assets generally provide an established stream of income. Because of the predictability of the income stream, third-party debt can be used at relatively low risk to enhance return. For Core real estate equity investments, the Association will adhere to a fifty percent (50%) leverage limit. Core assets may also include debt investments which have a contractual stream of income through loan payments and can provide a hedge against property value declines in falling markets where equity value is impaired prior to impacting par value. As such, debt investments can provide similar attributes to Core equity assets given its steady income stream and defensive position during falling markets.

For any single Core asset managed through an individually managed account, or Co-investment, third-party debt will be limited to fifty percent (50%) of the market value of the asset, must provide positive debt-service coverage and must be non-recourse, unless approved by the Board. All asset specific debt must demonstrate that leveraged IRR projections provide a return premium over the unleveraged IRR equal to three basis points (3 bps) of return for each one percent (1%) of leverage.

b) Non-Core

Investments classified as non-core utilize third-party debt as an integral part of their total return strategy. Such investments will be made through Commingled Funds/Club/Co-investment and will therefore have a specified leverage target or maximum stated in the offering documents. Debt levels and structures will be evaluated when reviewing a specific offering and presented to the Investment Committee.

5. *Operational Risk*

SBCERA engages a third-party CPA firm to conduct an operational review. See Due Diligence Policy #007.

### **III. INVESTMENT PROCEDURES**

The Association will always act to protect capital and generate returns commensurate with risk. The following identifies how the most significant risks with respect to real estate implementation will be mitigated and monitored.

#### **A. Annual Investment Plan**

Each year the Staff and Consultant will provide the Investment Committee with a proposed Annual Investment Plan (AIP) for approval and subsequent implementation. The AIP will include the following:

##### *1. Portfolio Review*

Provide a review of the current portfolio relative to approved Objectives, Policies and Procedures and the recommendations approved in the prior year's AIP.

##### *2. Strategic Perspective*

Provide a review of the SBCERA program in the context of the then current market including recommended changes to Objectives, Policy and Procedures for improving performance both near and long term.

##### *3. Market Opportunities*

Provide a review of the optimal market opportunities available based on program needs and objectives.

##### *4. Capital Pacing*

Provide an analysis of the portfolio growth and projected activity to determine an appropriate recommendation for annual capital allocations in the ensuing year.

#### **B. Individually Managed Accounts (IMA)**

When utilized, IMA Managers will have discretionary authority over the selection of specific investments. However, certain controls will be maintained to ensure compliance with approved Objectives, Policies and Procedures. The following procedures will be utilized for selection of IMA Managers, as well as for investment and the subsequent control and monitoring of IMA allocations.

##### *1. IMA Manager Selection Process*

- a) Consultant shall screen its database to identify Manager Candidates exhibiting qualities consistent with Staff and Consultant qualification criteria. Staff may identify additional candidates.
- b) Staff and Consultant shall interview, through formal presentations and/or site-visits (when deemed appropriate), the highest-ranking Managers.
- c) Staff and Consultant, shall present a report to the Investment Committee, which explains the ranking procedure and reviews the findings and recommendation for manager(s) selection.
- d) Staff, with the assistance of Consultant, shall coordinate final presentations as necessary.
- e) Investment Committee shall recommend a Manager for Board approval based on review and evaluation of information presented in the steps noted above.
- f) Staff and Consultant will negotiate and close manager investment agreements, including final fee structures.

2. *IMA Investment Procedures*

a) *Manager Investment Plan*

Each IMA Manager shall prepare an annual Manager Investment Plan, which sets forth the investment criteria for said Manager's allocation including the reinvestment of proceeds from sales or refinancing. The investment criteria shall be consistent with the mandate assigned to the manager and comply with all parameters of this document. Investment Plans will also set forth the IMA Manager's evaluation of current market opportunities and include a summary of the Annual Hold/Sell Review of each asset in the context of the market evaluation.

b) *Preliminary Investment Package*

Prior to making an investment, the Manager shall provide a Preliminary Investment Memorandum to Staff and Consultant. The preliminary package shall include an analysis of the investment relative to the currently approved Manager Investment Plan and SBCERA documentation. The Package will include a projected hold/sell analysis for the proposed asset as well as a financial summary including cash flow projections, five year cash on cash return projections, no less than a five year lease expiration schedule, a list of major tenants and a metropolitan market overview.

c) *Funding Procedures*

The Manager and Staff will work together to prepare written funding procedures for each IMA, which are compatible with the systems of the particular Manager as well as with SBCERA's systems. All procedures will enable timely and accurate

reporting and control of cash flows. The Manager shall provide the Staff and Consultant with a 'critical date list' for each acquisition.

3. *IMA Control and Monitoring*

a) Budget and Management Plan

Each IMA Manager shall submit a Budget and Management Plan (in form, timing and substance consistent with Staff and Consultant requests) for the upcoming year for each direct investment and the aggregate IMA.

Staff and Consultant will meet with the Manager personnel directly responsible for portfolio and asset management for a review and evaluation of the reasonableness of the submitted Budget and Management Plan. During the ensuing year, the Manager shall notify the Association in writing within a reasonable time of the occurrence of any significant event (i.e. a variance greater than 15% on budgeted NOI projections) relating to an investment that was not projected in the submitted Budget and Management Plan.

b) IMA Valuations

All investments will be valued in accordance with Global Investment Performance Standards ("GIPS") as created and administered by the CFA Institute.

**C. Commingled Funds/Club Investments**

The following procedures will be utilized in the selection, closing and monitoring of specific Commingled Fund/Club investments. Note that Commingled Fund/Club investments contemplated by existing mandates previously approved by the Board may be executed pursuant to the terms of such prior approval.

1. *Commingled Fund/Club Selection Process*

- a) Staff and Consultant will regularly evaluate the universe of investment opportunities targeting new investment selection within the Annual Investment Strategy (AIP).
- b) Staff and Consultant will conduct due diligence on any targeted Fund/Club to determine whether the offering meets approved AIP objectives. Staff and/or Consultant, shall recommend offering(s) to the Investment Committee for approval by the Board.
- c) Upon approval, the Staff will negotiate with selected Fund(s)/Club(s) on behalf of the Association in order to improve, where possible, the final terms of the investment.



- d) Final due diligence by Staff and legal counsel will include review of the commingled fund's formation and associated legal documents. Any significant issues uncovered in this phase will be brought to the attention of the Board prior to closing.

2. *Commingled Fund/Club Investment Control and Monitoring*

Commingled Fund and Club Investments will be monitored quarterly by Staff and Consultant to evaluate investment performance and to ensure compliance with vehicle documents.

#### **D. Co-Investments**

Co-Investments may allow the Association to over/under weight specific property types, strategies and/or managers. The following procedures will be utilized in the selection, review and monitoring of Co-investment opportunities. Note that Co-Investments contemplated by existing mandates previously approved by the Board may be executed pursuant to the terms of such prior approval.

1. *Co-Investment Selection Process*

Co-investment opportunities may be sourced through existing Commingled Fund positions or through managers/funds offering co-investment positions to external capital sources. Co-investment opportunities are most often presented with limited windows for analysis. As such, the process for investment is intended to improve the ability of SBCERA to participate in such investments prudently.

- a) For properties sourced through existing Commingled Funds:

- i. Consultant shall ensure that the co-investment is appropriate for additional investment, providing an opinion of prudence addressing the following:
  - Selected properties are consistent with Board approved AIP.
  - Recommended cost/valuation is supported by appropriate market and property analysis.
  - Potential conflicts are mitigated through partnership documentation as designed by Legal Counsel.
  - Additional investment will comply with the approved Objectives, Policies and Procedures with respect to targeted return objectives and manager, property type or strategy exposure.
- ii. Staff will retain discretion to allocate up to 43 basis points of total plan assets toward any co-investment.
- iii. Co-investments greater than the above limit are subject to the above process and Investment Committee recommendation for Board approval.

- b) For properties sourced through managers/vehicles in which SBCERA is not an investor
- i. Staff and Consultant shall complete both organizational and strategy due diligence in compliance with the approved Commingled Fund/Club Investment procedures.
  - ii. Consultant shall ensure that the co-investment is appropriate for investment and provide an opinion of prudence addressing the following:
    - Selected properties are consistent with Board approved AIP.
    - Recommended cost/valuation is supported by appropriate market and property analysis.
    - Potential conflicts are mitigated through partnership documentation as designed by Legal Counsel.
    - Additional investment will comply with the approved Objectives, Policies and Procedures with respect to targeted return objectives and manager, property type or strategy exposure.
  - iii. Staff and/or Consultant shall recommend Investment Committee approval of the holding vehicle with commingled fund/co-investment procedures. Approval for the co-investment allocation will also require Board approval based on the appropriate portfolio impact and compliance with the approved AIP.

## *2. Co-Investment Control and Monitoring*

Co-Investments are similar in structure to an IMA account but are generally held within commingled funds. As such, Co-investments will utilize the same control and monitoring systems as detailed in the commingled fund procedures approved in this document.

## **E. Secondary Market Purchases**

Secondary units can be purchased from existing fund or club investors looking to gain liquidity prior to the full term of the partnership. Secondary purchases provide numerous benefits such as:

- Access to an existing pool of assets rather than a blind pool allocation
- Shorter investment horizon for capital allocation from near term liquidations
- Ability to strategically and tactically manage portfolio diversification
- Potential for discounts to current carrying value and/or market value

Transactions are limited within the real estate asset class. Investors with in-place policies and procedures are capable of taking advantage of the intermittent opportunities in a quick and efficient manner. Note that Secondary Investments contemplated by existing

mandates previously approved by the Board may be executed pursuant to the terms of such prior approval.

#### 1. *Secondary Unit Purchase Process*

Secondary offerings will be subject to Staff and Consultant concurrence that the purchase is appropriate for investment and provide an opinion of prudence addressing the following:

- Additional allocation is consistent with Board approved AIP.
- Recommended cost/valuation is supported by appropriate market and property analysis.
- Potential conflicts are mitigated through partnership documentation as designed by Legal Counsel.
- Additional investment will comply with the approved Objectives, Policies and Procedures with respect to targeted return objectives and manager, property type or strategy exposure when evaluated in combination with the existing Fund/Club position

#### 2. *Secondary Unit Control and Monitoring*

Units purchased on the secondary market will be monitored within the existing fund/club investment and utilize the same control and monitoring systems as detailed in the commingled fund procedures approved in this document.

### **IV. Performance Measurement And Analysis**

On a quarterly basis, the Consultant will prepare a comprehensive report addressing each investment and Manager. The Consultant shall prepare and forward to the System a Performance Measurement Report within ninety (90) days following the last day of each quarter or within five working days of complete and accurate submission of all manager data.

**Exhibit A**  
**Portfolio Component Definitions**

**Core Investments**

Core investments include equity or debt in existing, substantially leased income-producing properties located principally in metropolitan areas that exhibit reasonable economic diversification. Core properties typically exhibit the following characteristics:

- Predictable income flows with a high proportion of anticipated total return arising from current income and cash flow;
- At least 80% leased upon purchase of the asset;
- Located in an economically diversified metropolitan area;
- Quality construction and design features;
- Reasonable assurance of a broad pool of potential purchasers upon disposition;
- Properties requiring quality asset and portfolio management but not requiring specialized operating expertise which is not readily available in the market; and,
- Investment structures using all cash or conforming within debt policy limits.

*Public real estate securities* (e.g. Real Estate Investment Trusts or REITs) will be considered part of the Core component of the SBCERA's portfolio. Public real estate securities are publicly traded companies that manage a portfolio of real estate based investments in order to produce income and capital appreciation for investors.

**Non-Core Investments**

Non-Core investments include equity or debt in those properties and/or investment strategies that require specialized acquisition and management expertise or skill to mitigate the business and leasing risk associated with an individual investment. Non-Core investments may have greater volatility compared to Core investments. Non-Core investments may exhibit one or more of the following characteristics:

- Properties located in secondary and tertiary markets, which are not economically diversified and may have accompanying susceptibility to imbalances of demand and supply;
- Property types which require specialized management skills focusing primarily on operating business expertise rather than pure real estate portfolio management expertise;
- Properties which are considered to be in "work out" mode;
- Properties involving significant repositioning through lease-up, development and/or re-development risks;
- Financing or investment structures that impact cash flows and/or are not breaking even at acquisition; and
- Investment structures using leverage as an integral part of the total return strategy.

***Non Core Investments***

Non Core real estate is characterized as properties that take on moderate additional risk from one or more of the following sources – leasing, redevelopment, repositioning, the use of moderate leverage and specialized property.

Other Non Core real estate takes on greater risk in order to achieve a higher level of return. High Return investments include a variety of strategies such as development or major redevelopment of office, retail, industrial, multifamily or specialized property types (e.g. hotels, senior housing, self-storage, data centers, etc.). Additionally, High Return investments could include land investing, operating company investing, distressed debt/properties, highly leveraged properties and other specialized investments.

## **Exhibit B**

### **Defined Roles of Participants**

The real estate program shall be planned, implemented, and monitored through the coordinated efforts of the Board, Staff, Real Estate Consultant ("Consultant") and Investment Managers ("Manager" or "Managers"). Set forth below is the delegation of the major responsibilities of each participant.

#### **Duties of the Board**

- Establishes the role of the real estate investment program in light of the total portfolio objectives.
- Approves the allocation to real estate and approves any adjustments to the allocation which may from time to time be necessary.
- Approves the Objectives, Policies and Procedures and the Annual Investment Strategy for the real estate program.
- Approves Investment Committee recommendations for selection, retention and removal of Managers and investments.
- Reviews the real estate portfolio to evaluate the investment performance and to ensure compliance with controlling documents

#### **Duties of the Investment Committee**

- Recommends approval of policies and procedures as developed through Staff and Consultant.
- Recommends approval of investment allocations as developed through Staff and Consultant.
- Makes recommendations to the Board for program actions needed to achieve Board approved objectives.

#### **Duties of the Staff**

- Establishes program guidelines for and executes the real estate investment program.
- Reports to the Investment Committee and the Board on matters of policy.
- Oversees Consultant's preparation of the Annual Investment Strategy.
- Participates in the Annual Budget and Management Plan review and approval process.
- Brings any non-conforming items or significant issues to the attention of the Board.
- Documents and monitors funding procedures.
- Completes other activity as directed by the Investment Committee and/or Board.
- Ensures manager reviews a copy of the Placement Agent Policy, as approved by the Retirement Board and that the manager has timely completed all required forms.

*Individually Managed Account (“IMA”) Duties of Staff:*

- Conducts searches for professional services and investment managers and, with the assistance of the Consultant, recommends the selection to the Board for approval.
- Reviews Annual Manager Investment Plans.
- Reviews the Budget and Management Plans prepared by IMA Managers.
- Reviews Preliminary Investment Packages submitted by IMA Managers.
- Reviews fees (as reviewed and approved by Consultant) for compliance and insures that Incentive Fees are processed appropriately.
- Reviews annual audit, managers’ valuations, and third-party appraisal reports.
- Performs other duties required to execute the IMA Investment Procedures, as more fully described in this document.
- Coordinates efforts of Consultant, Legal Counsel and CPA/Appraisal firms during the review process for Co-Investment opportunities.
- Monitors the closing process.

*Commingled Fund/Co-investment Duties of Staff:*

- Conducts screening, review, and selection for recommendation of Commingled Fund offerings.
- Oversees the commitment process, and with legal counsel, reviews and executes any required documentation.
- Pending Consultant review is authorized to approval co-investments of \$25 million or less.

Duties of the Consultant

- Reports directly to the Investment Committee, Board and Staff on matters of policy.
- Brings any non-conforming items or significant issues to the attention of the Association on no less than a semi-annual basis.
- Monitors the performance of the real estate portfolio and compliance with Board approved policy.
- Prepares the Annual Investment Strategy and recommends the Allocation Plan to the Board for approval.
- Prepares the Quarterly Performance Report to evaluate investment performance and to ensure compliance with policy guidelines and approved Investment Plan.
- Presents Performance Report to the Investment Committee and/or Board as requested.
- Reviews all proposed fees to determine appropriateness relative to industry standards and manager mandate.

- Provides the Association with research and education on real estate related subjects as requested.

*Individually Managed Account Duties of Consultant:*

- Assists Staff in conducting searches for investment managers and makes recommendations to the Investment Committee and Board.
- Oversees preparation of Annual Manager Investment Plans.
- Reviews the Budget and Management Plans prepared by IMA Managers.
- Reviews the methodology and accuracy of all Individually Managed Account incentive fees and recommends payment based on compliance with terms of appropriate Manager mandate.
- Performs other duties required to execute the IMA Investment Procedures as more fully described in this document.

*Commingled Fund/Co-investment Duties of Consultant:*

- Conducts analysis of Commingled Fund offerings in accordance with the Commingled Fund selection process in this document.
- Provides written analysis of Commingled Funds and Co-investment.
- Reviews proposed co-investment asset(s) to ensure compliance with approved Strategic Investment Plans.
- Evaluates disposition and unwind recommendations in light of market conditions and approved Strategic and Annual Investment plans.

Duties of the Manager

- Provides performance measurement data in form and substance as requested by the Retirement Association and Real Estate Consultant.

*Individually Managed Account Managers:*

- Acquires, manages and disposes of assets on behalf of the Association.
- Adheres to the current reporting standards designated within the Manager contract.
- Prepares Manager Investment Plans to be submitted to the Staff and Consultant.
- Prepares Preliminary Investment Packages to be submitted to the Staff and Consultant.
- Prepares Budget and Management Plans to be submitted to the Staff and Consultant.
- Provides quarterly financial statements and annual audited reports.
- Meets with the Staff and Consultant for the Annual Real Estate Portfolio Review.
- Prepares an Annual Hold/Sell Review.

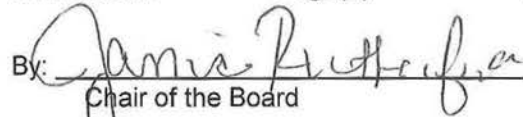


*Commingled Fund /Co-Investment Managers:*

- Adheres to the current reporting standards designated within the Manager contract.
- Executes and performs its duties under the terms of the investment vehicle documents.
- Provides timely requests for capital contributions.
- Provides quarterly financial statements and annual reports.
- Conducts annual meetings to discuss important developments regarding investment and management issues.
- Provides market valuations not less than annually.



**POLICY NO.** 021 **Issue No.** 2.0  
**Committee:** Investment Comm. **Effective Date:** 07/11/2019  
**Policy Category:** Investments **Page(s)** 2  
**Approved**

By:   
Chair of the Board

**Subject: REQUESTS FOR PERSONALLY IDENTIFIABLE INFORMATION**

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## REQUESTS FOR PERSONALLY IDENTIFIABLE INFORMATION

### PURPOSES:

This policy has multiple purposes: First, to permit SBCERA to continue to access investment opportunities in connection with which requests for personally identifiable information ("PII") of SBCERA Trustees and employees may be made; second, to protect those Trustees and employees from the risk of personal harm that might flow from the provision of that PII; and third, to prevent conflicts in Trustees' and employees' interests under which they might be deterred from making certain investment decisions due to the risk of personal harm.

### OPERATING CRITERIA

As used in this Policy, "Personally Identifiable Information" or "PII" means any of the following: 1) any information identified in California Business and Professions Code section 22577(a); 2) any SBCERA Trustees' or employees' telephone number, address, social security number, birthdate, any document containing such information, or an original or copy of any identifying card or document such as a driver's license, passport, utility bill, tax bill, or any similar document; or 3) any information or document that could, if misused, lead to or contribute to identity theft or other wrongdoing or financial or other harm toward the Trustee or employee providing the information.

- (1) In general, SBCERA's policy is to deny requests for Trustees' and employees' PII. PII will only be provided in unusually compelling circumstances. This policy should, in cases of doubt, be read narrowly to preclude any release of PII.
- (2) PII will not be provided unless it is demonstrated to the satisfaction of the Board, after consultation with its Chief Counsel and Chief Investment Officer, that all of the following are true:
  - (a) Such information must be provided as a legally mandatory condition of an investment that SBCERA otherwise intends to make, and, after diligent inquiry, neither the manager nor any regulatory agency requiring the information has discretion to waive or modify the requirement or accept any alternative;

- (b) The investment is of such great value, after considering alternatives, and the risk in providing the PII is so slight to the individuals, that it would be a breach of fiduciary duty to decline the investment out of concerns over PII;
  - (c) The investment manager has offered reasonable assurances of the safeguarding of the PII, and a binding, strict liability indemnity promise in favor of those providing the PII against any harm flowing from its unauthorized release or use by anyone; and
  - (d) Each of the individuals whose information is requested agrees in writing to provide the information, on a purely voluntary basis.
- (3) All new investment management contracts in any form, and all such contracts amended after the effective date of this policy, shall include an indemnity clause obligating the manager to indemnify SBCERA Trustees and employees, on a strict liability basis, against any harm flowing from any release of PII. Such indemnity promise shall be insured, pursuant to a policy obtained by the manager that names any individual providing PII as an additional insured, evidence of which policy and endorsement shall be provided to SBCERA's Chief Counsel, if such policy is available on commercially reasonable terms.
- (4) SBCERA shall acquire and maintain appropriate insurance protecting its Trustees and employees against any losses from the release of their PII that is not covered by an investment manager's indemnity promise, so long as the cost and terms of such policy are reasonable.



**POLICY NO.** 001  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 3.0  
**Effective Date:** 02/01/2018  
**Page(s)** 1

By:   
Chair of the Board

**Subject: PAYMENT OF SURVIVORS' ALLOWANCES**

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**PAYMENT OF SURVIVORS' ALLOWANCES**

**Background**

Article 15.6 of the Government Code was added to the 1937 Act with the Legislative intent to allow counties with nonintegrated social security benefits to provide survivorship benefits outlined in the article in lieu of those provided by Social Security. The County Board of Supervisors adopted these provisions. In applying the benefit provisions of the article to survivors of qualified members, the criteria outlined in Section 31855.12 are followed.

It is the Board of Retirement's opinion that because the statutory provisions included in this section of the Government Code are intended to replace the survivor benefits otherwise paid by Social Security that payment of such benefits should be processed in a similar manner to that employed by the Social Security Administration.

**Policy**

When a member who has at least 18 months of continuous service dies prior to retirement, having a surviving spouse caring for a qualified child(ren) that also has another child(ren) not being cared for by the surviving spouse, the survivor benefits designed in Section 31855.12 will be paid in equal proportions to each of the deceased member's eligible beneficiaries, not to exceed the monthly allowance payable to the total number of all qualified children.



**POLICY NO.** 002  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 12/02/2004  
**Page(s)** 1

By:

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Chairman of the Board

**Subject: PAYMENT OF INTERIM BENEFITS/NONSERVICE-CONNECTED DISABILITIES PENDING APPEAL**

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**PAYMENT OF INTERIM BENEFITS/NONSERVICE-CONNECTED**  
**DISABILITIES PENDING APPEAL**

On September 2, 1993, Pursuant to Government Code Section 31725.8, the Board of Retirement granted an interim nonservice-connected disability retirement allowance to any claimant who has been found by the Board to be permanently physically or mentally incapacitated for the performance of his/her duties, but not because of injury or disease arising out of and in the course of his/her employment.

This allowance is granted during the time that claimant is pursuing any rehearing before the Board or any judicial review concerning claimant's right to a service-connected disability retirement, and on the condition that claimant makes a written request for such allowance.

**RESCINDED BY BOARD 11/01/2018**



**POLICY NO.** 003  
**Committee:** Admin Committee  
**Policy Category:** Benefits

**Issue No.** 4.0  
**Effective Date:** 11/15/2010  
**Page(s)** 2

**Approved.**

By: *Ellen Weissen*

Chairman of the Board

**Subject: DISCRETIONARY RETIREE SUBSIDY**

**DISCRETIONARY RETIREE SUBSIDY**

Effective November 1, 2010 until October 31, 2011, for members retired from SBCERA on or before April 1, 2010, the Board approves a discretionary subsidy pursuant to Government Code section 31691.1, of up to \$230 a month, for a 12 month period, utilizing the Board's tiered formula as shown below. The subsidy to an eligible spouse of a deceased retiree will continue to be an amount equal to 60% of the amount of the retiree's subsidy.

- 1) Minimum eligibility requirement is 10 years of county or district service.
- 2) Minimum eligibility is waived for service-connected disability retirees.
- 3) The subsidy benefit shall be 5% of the Board established subsidy amount per year of county or district service.
- 4) Maximum subsidy amount is obtained at 20 years of county or district service.
- 5) Minimum of 50% of the Board established subsidy amount for service-connected disability retirees.

The subsidy to an eligible spouse of a deceased active member who died in the line-of-duty will be given in an amount equal to 60% times the greater of the following:

- 1) 50% of the Board established subsidy, or
- 2) 5% of the of the Board established subsidy times the number of years of county or district service of the deceased member not to exceed 20 years of county or district service.

The Board does not award a discretionary subsidy to any member who retires from SBCERA after April 1, 2010.

RESCINDED BY BOARD 11/15/2018

Further the Board will award a discretionary subsidy to any member whose retirement is approved after April 1, 2010, but whose effective date of retirement is retroactive to a date on or before April 1, 2010, subject to available funds in the General Subsidy Reserve.

**RESCINDED by Board 11/01/2018**

**POLICY NO.** 004  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 02/03/2005  
**Page(s)** 2



By:

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Chairman of the Board

**Subject: SUPPLEMENTAL SUBSIDY FOR COBRA BENEFITS**

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**SUPPLEMENTAL SUBSIDY FOR COBRA BENEFITS**

**Introduction**

Historically SBCERA has provided a insurance subsidy for both service and approved disability retirees from the effective date of retirement. Those members awaiting final determination of their disability claims have the option of continuing their employer health insurance by means of COBRA benefits. These premium costs are traditionally higher than standard group rates.

The Board of Retirement will extend the standard subsidy to COBRA coverage for the retiree who is applying for a disability retirement. This subsidy can be paid retroactively back to the date of retirement. The subsidy is actuarially determined annually, subject to the constraints of the fiscal budget, and determined by the Board.

**Operating Criteria**

The Board of Retirement shall approve this subsidy for disability retirees based on and subject to the following criteria:

- (1) The Applicant for service-connected disability retirement provides SBCERA with a written request to be considered for the subsidy paid to those who have COBRA coverage. This request must be received within the same fiscal year budget that the Board approved retirement occurred. Those requests that are received later will be subject to the fiscal constraints of the year submitted.
- (2) The Applicant for service-connected disability retirement has been enrolled in the employer based group health coverage mandated by COBRA guidelines. Coordination of this information will be between the SBCERA staff and the employer's Employee Benefits staff. Proof of COBRA coverage will be verified and confirmed by these entities.

RESCINDED BY BOARD 01-07-2010



- (3) The Board approved subsidy for the specific period involved will be paid for the disability retiree only.
- (4) Retroactive reimbursement of the monthly subsidy will be made by means of a lump sum amount determined from the date the initial COBRA premium was paid subsequent to the effective date of retirement.
  - (a) Standard subsidy payments will then be paid out normally with the monthly warrants.
  - (b) If the disability applicant cancels the COBRA coverage prior to a final determination by the Board, reimbursement will only be for the COBRA effective coverage date to the date of cancellation.
- (5) This policy will be effective for all disability retirements approved by the Board of Retirement on and after November 5, 1992.
- (6) If a disability applicant does not request the COBRA subsidy, the standard subsidy is paid (if applicable), effective the first month on which the member is on the retiree payroll.

The Board of Retirement reserves the right to amend or alter any of these policies to fit any specific incident as they deem necessary.

RESCINDED by Board 01/07/2010



<b>POLICY NO.</b>	005	<b>Issue No.</b>	3.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/01/2018
<b>Policy Category:</b>	Benefits	<b>Page(s)</b>	1
<b>Approved.</b>	By: <i>Rodriguez Forino</i>		
	Chair of the Board		

**Subject:            ADDITIONAL RETIREMENT CREDIT (ARC) UNDER GOVERNMENT CODE SECTIONS 31658 and 7522.46**

**ADDITIONAL RETIREMENT CREDIT (ARC) UNDER GOVERNMENT CODE SECTIONS 31658 AND 7522.46**

Pursuant to Government Code section 7522.46 of the California Public Employees' Pension Reform Act of 2013 (PEPRA), a public retirement system shall not allow the purchase of nonqualified service credit (Additional Retirement Credit-ARC) effective January 1, 2013.

The following policy applies to all ARC purchases prior to January 1, 2013:

The member purchased ARC pursuant to an irrevocable contract and paid the full actuarial cost of the ARC benefit based upon a "present value formula," which used the member's current salary and age together with actuarial assumptions for salary increases and retirement age, to calculate the cost of the ARC service in present dollars. The actuarial assumptions used in the calculation were stand alone.

Retirement or termination of service prior to the completion of the irrevocable ARC service purchase contract may be completed in the 120 day window after termination of service only by means of a pre-tax direct transfer from an employer 401(k) or 457 plan, and if not paid in full the ARC service will be prorated.

Money to purchase the ARC service is not refundable, even if the member is limited by tax laws to 100% of compensation earnable and inadvertently purchased too much ARC.



<b>POLICY NO.</b>	006	<b>Issue No.</b>	1.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	12/02/2004
<b>Policy Category:</b>	Benefits	<b>Page(s)</b>	1
<b>Approved.</b>			

By:

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Chairman of the Board

**Subject: EXTENSIONS OF TIME FOR RECONSIDERATION OF DISABILITY RETIREMENT APPLICATIONS**

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**EXTENSIONS OF TIME FOR RECONSIDERATION OF  
DISABILITY RETIREMENT APPLICATIONS**

**Background**

Article VIII of the SBCERA By-Laws provides rules and procedures for processing disability retirement applications. Under section (D) of Article VIII, a member whose application for disability retirement benefits is initially denied by the Board of Retirement may request that the Board reconsider its denial. The member requesting reconsideration by the Board has the duty to resubmit the disability application to the Board.

**Extensions of Time for Reconsideration**

Any member requesting reconsideration of a disability application shall resubmit his or her disability application to the Board within six months of the Board's initial decision. All requests to extend the time for resubmitting an application for reconsideration beyond six months from the date of initial decision by the Board will be denied. All member applications for disability benefits in reconsideration status more than six months will referred to formal hearing as described in Article VIII of the SBCERA By-Laws.

**RESCINDED BY BOARD 11/01/2018**



**POLICY NO.** 007  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 2.0  
**Effective Date:** 2/1/2018  
**Page(s)** 1

By:   
Chair of the Board

**Subject: RELEASE OF CAUTIONARY REPORTS OF PSYCHIATRIC EVALUATIONS**

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**RELEASE OF CAUTIONARY REPORTS OF PSYCHIATRIC EVALUATIONS**

**Background**

SBCERA often receives reports of psychiatric evaluations on behalf of members applying for disability retirement benefits. Sometimes a psychiatric evaluation includes the admonition that due to the highly complex nature of the information contained in the psychiatric evaluation serious misunderstanding of the report could result if the contents of the psychiatric evaluation were revealed to the patient. These cautionary admonitions further warn that if the information in the report is revealed to the patient it could harm the patient and/or the doctor-patient relationship. Cautionary admonitions strongly urge that these psychiatric evaluations not be revealed to the patient except in the presence of the undersigned doctor or some other appropriate medical expert. And yet, these members may have the right to review these cautionary psychiatric evaluations if the Board relies upon these reports in making its decision on the member's disability retirement application.

**Policy**

**A. Member Represented by Attorney**

In disability retirement applications involving psychiatric reports, psychiatric evaluations containing cautionary admonitions against release to the patient will be given to the member's attorney.

**B. Member in Pro Per Not-Represented by Attorney**

In disability retirement applications involving psychiatric reports, psychiatric evaluations containing cautionary admonitions against release to the patient will be given to the member's attending physician or the doctor writing the report and the member will be advised to discuss release of the information with the doctor receiving the report.



**POLICY NO.** 008  
**Committee:** Admin Committee  
**Policy Category:** Benefits

**Issue No.** 1.0  
**Effective Date:** 12/02/2004  
**Page(s)** 1

**Approved.**

By:

\_\_\_\_\_  
Chairman of the Board

**Subject: UNCONTESTED DISABILITY CASES**

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**UNCONTESTED DISABILITY CASES**


Applications for disability retirement benefits in which SBCERA staff recommends full approval of the applicant's requested benefits shall be submitted to the Board as part of the Consent Calendar. The Executive Director, the applicant, or any Trustee may remove an application from the Consent Calendar for further discussion. All application packages for disability retirement benefits, whether or not SBCERA staff recommends full approval of the applicant's requested benefits, will be prepared in the same manner for the Board's consideration.

**RESCINDED by Board 11-05-2015**



**POLICY NO.** 009 **Issue No.** 4.0  
**Committee:** Admin Committee **Effective Date:** 09/05/2013  
**Policy Category:** Benefits **Page(s)** 2

Approved by:.

By:   
Chairman of the Board

**Subject: RETIREE PAYROLL DEDUCTIONS AND THE ASSIGNMENT OF BENEFITS**

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**RETIREE PAYROLL DEDUCTIONS AND THE ASSIGNMENT OF BENEFITS**

**Background**

As a general rule, retirement benefits are not assignable, except as permitted in Government Code section 31452 for family related orders permitted by section 704.110 of the Code of Civil Procedure and as permitted in Government Code section 31452.5 for specific charitable and insurance deductions approved by the Board of Retirement.

**Approved Retiree Benefit Deductions**

Pursuant to Government Code section 31452.5 the Board of Retirement has approved the following list of retiree benefit deductions and will not honor any other requests for benefit assignments.

The list of approved benefit deductions is as follows:

1. IRS Levy
2. SEBA – Safety Life Insurance
3. Arrowhead Credit Union
4. Fiscal Federal Credit Union
5. SBPEA/SEBA Dues
6. SBPEA/SEBA Dental & Vision Premiums
7. RESBC Benefit Program Deductions
8. PERS Long Term Care
9. County Retiree Benefit Program Deductions
10. Retiree Association Dues
11. State Levy
12. Children’s Fund of San Bernardino County
13. MDAQMD Retiree Medical Benefit
14. VSP-SACRS Vision Plan
15. County COBRA Premiums

**No-Assignment of Benefits**

Except as permitted in Government Code sections 31452 and 31452.5, the Board of Retirement will not permit assignment of retiree benefits for any reason, including assignment to attorneys. This policy against assignment of benefits includes monthly benefit payments and lump-sum payments of benefits, including retroactive benefits awarded during the disability application process.



<b>POLICY NO.</b>	010	<b>Issue No.</b>	2.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	09/06/2018
<b>Policy Category:</b>	Benefits	<b>Page(s)</b>	3

**Approved.**

By:   
Chair of the Board

**Subject: PAYMENT OF BENEFITS IN RELATION TO COMMUNITY PROPERTY LAW**

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## **PAYMENT OF BENEFITS IN RELATION TO COMMUNITY PROPERTY LAW**

### **Background**

California is a community property state. In California, all property acquired during a marriage or registered domestic partnership is community property, except for each partner's separate property. A SBCERA member's accumulated contributions and retirement allowance are subject to division under the community property laws of the State of California, if such benefits were acquired during a marriage or domestic partnership.

This policy ensures that the member is fully informed of the steps necessary in the event there is a division of the member's retirement in order for the member to receive his or her retirement benefit without delay, while protecting SBCERA against possible liability for improper payment of benefits or disposition of funds.

### **Notice of a Dissolution, Legal Separation, or Termination of Domestic Partnership**

In the event a member has divorced, legally separated, or terminated a domestic partnership during his or her membership with SBCERA, then prior to retirement, change of beneficiary, or a request for refund of accumulated contributions, the member shall submit for review a copy of a court filed Judgment or State filed Notice of Termination of Domestic Partnership, including any attached agreement addressing property issues, specifically the member's SBCERA retirement account.

Chief Counsel or designee shall review the Judgment or Notice of Termination, including attachments to determine whether it makes an effective disposition of the SBCERA account, or whether further action is needed, including but not limited to: a) a joinder and Domestic Relations Order (DRO); b) a modification of the Judgment to provide for a final disposition of the SBCERA account other than through a DRO; or c) a liability release from the member, if in the opinion of counsel such release is sufficient to protect against any claim of improper payments by SBCERA in light of ambiguities in the Judgment.



In no event will SBCERA pay out funds prior to the receipt and review of the Judgment or Notice of Termination. SBCERA will notify the member in writing regarding the aforementioned review.

### **SBCERA Joined as an Employee Benefit Plan**

If SBCERA is joined to a dissolution or legal separation action as an Employee Benefit Plan, and thereafter pays out benefits to the member, SBCERA does so at its peril and may be liable to the non-member spouse for benefits that should have been paid to the non-member. SBCERA will notify the member in writing of the joinder and the consequences thereof.

### **Payment of Benefits Before Retirement**

If SBCERA receives a joinder in a dissolution or legal separation action involving a member, the member's account will be flagged. SBCERA will not pay out retirement benefits, until the dissolution or legal separation action is resolved. Resolution of a dissolution or legal separation action shall mean one of the following:

1. A judgment whereby the court addresses property issues, specifically a member's SBCERA retirement account and the disposition of such property. In the event, the court divides the member's SBCERA retirement, the member will need to submit to SBCERA a proposed Domestic Relations Order for review and approval. In the alternative, if the court awards the SBCERA retirement account to the member as his or her sole and separate property, then the member will release SBCERA from the joinder.
2. A Domestic Relations Order setting forth the legal terms and requirements for the division of the community property interest in the member's retirement awarded to the nonmember spouse.
3. A court order whereby the nonmember spouse or domestic partner waives his or her interest in the member's SBCERA retirement.

If SBCERA becomes aware of a dissolution or legal separation proceeding other than through the formal service of a joinder, SBCERA shall contact the member in writing to inform the member of the requirements of this policy and the steps the member may take to ensure the timely payment of benefits or refund.


SBCERA will not pay out partial benefits with a temporary court order, unless the member is retired and the order meets the necessary guidelines for SBCERA to administer the benefits to the member and non-member spouse.

### **Payment of Benefits After Retirement**

If SBCERA receives a joinder in a dissolution or legal separation action involving a retired member and the retired member is already receiving retirement benefits, SBCERA will continue to pay full benefits to the retired member unless SBCERA also receives a Notice of Adverse Interest pursuant to Family Code section 755 from the non-member spouse. The Notice of Adverse Interest must identify the amount of benefit the non-member spouse is claiming and the formula for dividing community property used to calculate this amount. However, SBCERA will not pay the calculated interest to the non-member spouse until SBCERA is joined as an Employee Benefit Plan and SBCERA receives a conformed copy of a Domestic Relations Order that meets SBCERA's guidelines.

**POLICY NO.** 011  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 06/02/2005  
**Page(s)** 1

By:   
Chairman of the Board

**Subject: DISABILITY APPLICANT – MILEAGE REIMBURSEMENT**

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**DISABILITY APPLICANT - MILEAGE REIMBURSEMENT**

The "Procedures for Disability Retirement Applications and Formal Hearings" states that the Executive Director may arrange an appointment(s) with the physician or physicians so selected by the Board of Retirement or the Executive Director for an examination of the applicant.


The Board of Retirement shall pay all costs of this examination and shall reimburse the disability applicant for mileage, if that member is required to travel more than 50 miles round trip, as determined by the Board. Mileage reimbursement will be limited to no more than 600 miles roundtrip. Mileage will be calculated as a round trip from the member's home address to the examination location address. For purposes of this policy, the member's home address is the member's residence at the time the member last worked for a SBCERA employer. Reimbursements shall only be made upon verification that the applicant has kept the examination appointment.

It shall be within the discretion of the Board of Retirement to consider and grant any written request of a member who incurs unexpected expenses under the provisions of this section. The Executive Director shall determine the rates and conditions, if any, in accordance with the Retirement Board's intent and purpose in adopting this policy. Reimbursements for unexpected expenses shall only be made upon the presentation of a written request from the member and submission of original receipts.

**RESCINDED BY BOARD 01-08-2015**

**POLICY NO.** 012  
**Committee:** Admin Committee  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 07/06/2006  
**Page(s)** 2

By:   
Chairman of the Board

**Subject: DISABILITY PRESUMPTION**

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**DISABILITY PRESUMPTION**

**Background:**

In the 37 Act, permanent incapacity of certain members is presumed to arise out of or in the course of employment if the permanent incapacity is based upon heart trouble, cancer, blood-borne infectious disease, or exposure to biochemical substances. The IRS has ruled in several private letter rulings that were issued to 37 Act retirement systems that the benefits paid under the heart trouble presumption were taxable. It is expected that the IRS would apply the same reasoning to disability benefits paid under the other presumptions in the 37 Act. It is unclear what effect the case of *Take v. Commissioner*, 804 F. 2d 553 (9th Cir., 1986), would have on taxability of disability retirement benefits paid under the presumptions in the 37 Act.

**Policy Consideration of Disability Presumptions**

If a member is found to be permanently incapacitated, the issue of service-connection is considered under Government Code section 31720, that is, on the facts of the case. If the Board finds that service-connection is not established by the preponderance of the evidence, the Board then and only then will consider the issue of service-connection by reference to the appropriate presumption statute.

The process described above will be used by the SBCERA Board during initial determination, reconsideration, and final determination including consideration of the hearing officer's recommendation. Hearing officers are asked to first make a recommended decision on the issue of service-connection based on the evidence under section 31720. If the hearing officer recommends finding service-connection based on the evidence, that ends the inquiry. The hearing officer is asked to make a recommended decision on the applicability and effect of the presumption if the hearing officer first recommends finding that service-connection is not established by the preponderance of the evidence.

## Tax Reporting

Members who are entitled to a service-connected disability based upon the preponderance of the evidence will have those benefits up to 50% of final compensation reported on their 1099R as "not taxable." This policy is established to make sure that members who are entitled to a service-connected disability based on the preponderance of the evidence will not face potential income tax problems should the IRS question the member's claim of a tax exemption on the basis that the 37 Act provides a presumption of service-connection for the particular kind of injury or illness involved.

Members who are entitled to a service-connected disability based upon a presumption of the 37 Act will have those benefits reported on their 1099R as "taxable." This policy is established to comply with IRS reporting requirements.

**RESCINDED by Board 01-03-2008**



**POLICY NO.** 014  
**Committee:** Administrative  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 01/07/2010  
**Page(s)** 2

*Ellen Weissen*  
By:

Chairman of the Board

**Subject: EFFECTIVE DATE FOR DISABILITY RETIREMENT BENEFITS**

**Effective Date for Disability Retirement Benefits**

Government Code section §31724 determines the time in which a disability retirement allowance shall become effective. To ensure proper application of Government Code section §31724, the effective date of disability retirement benefits will always be the date of application unless one of the exceptions as listed in §31724 is applicable. Further, the effective date shall be determined and verified by the Disability Benefits Officer.

**General Rule:**

The effective date for a disability retirement allowance is the **DATE OF APPLICATION**. However, there are four (4) exceptions to the general rule.

**Exceptions:**

1. Division 4 of the Labor Code – The expiration of any leave of absence with compensation under Division 4 of the Labor Code. (NOTE: The member has the option to determine the date his leave will expire.)
2. Consent to Early Retirement – The member may consent to a retirement date that is prior to the expiration of such leave of absence with compensation.
3. Regular Compensation (Katosh) – The effective date is the day following the last day in which the member received regular compensation; however, the application must have been filed **prior** to last day in which the member received regular compensation.
4. “Deemed filed” or “Excuse” – The effective date and/or date of the application may be set earlier than the actual date the application was filed if the delay in filing is **excused** because of an administrative delay or inability to ascertain the permanency of the member’s incapacity.

The effective date shall be determined by the Disability Benefits Officer.

RESOLVED by Board 03-05-2015

**RE: Effective Date for Disability Retirement Benefits**

**Page 2**

For purposes of determining the effective date, regular compensation is compensation received for regular time worked or leave pay when taken as time-off regardless of the amount of such compensation or whether it is received consecutively.

Regular Compensation, when taken as time off, shall:

Include	Not Include
<ul style="list-style-type: none"><li>➤ Regular pay</li><li>➤ Administrative leave</li><li>➤ Holiday</li><li>➤ Sick Leave</li><li>➤ Annual leave</li><li>➤ Vacation Leave</li><li>➤ Lab. Code 4850</li></ul>	<ul style="list-style-type: none"><li>➤ Short Term Disability</li><li>➤ Long Term Disability</li><li>➤ Lab. Code 4850.4</li><li>➤ Termination Pay</li><li>➤ Cash-out of sick &amp; vacation leave before retiring</li></ul>

**RESCINDED by Board 03-05-2015**



<b>POLICY NO.</b>	015	<b>Issue No.</b>	2.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/01/2018
<b>Policy Category:</b>	Benefits	<b>Page(s)</b>	2
<b>Approved.</b>	By: <u><i>Rouis Forino</i></u>		
	Chair of the Board		

**Subject:                   DISABILITY APPLICANT – INDEPENDENT MEDICAL EXAMINATION**

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**DISABILITY APPLICANT – INDEPENDENT MEDICAL EXAMINATION (IME)**

The *Procedures for Disability Retirement Applications and Formal Hearings* states that the Chief Executive Officer or his or her designee may arrange an appointment(s) with the physician or physicians so selected by the Board of Retirement (Board) or the Chief Executive Officer (CEO) for an examination of the applicant. In addition, the applicant is required to report at times and places specified by the CEO for one (1) or more medical examination(s) by a physician or physician(s) selected by the Board or CEO.

**1. Independent Medical Examination Appointment(s)**

SBCERA will notify the applicant via mail of the name, address, date, time and place the applicant shall report for the medical examination.

For failure to keep the scheduled appointment, the applicant will be charged a cancellation fee of no more than \$400 if SBCERA incurs such expense. However, the fee will be waived if the applicant provides SBCERA with 72 hours advance notice of such cancellation.

In the event the applicant fails to contact SBCERA with an adequate excuse to reschedule the IME appointment within 30 days of the missed appointment, SBCERA may treat such action as noncooperation and recommend the application be dismissed with prejudice pursuant to Rule 33 of the *Procedures for Disability Retirement Applications and Formal Hearings*.

**2. Travel and Other Expense Reimbursement:**

The Board shall pay all the costs of the examination itself, except the cancellation fee described above. The member shall bear his or her own travel expenses to and from the appointment.

It shall be within the discretion of the CEO to consider and grant any written request of a member who incurs unexpected expenses under the provisions of this section if the CEO determines that such grant is necessary in order to process the application. The CEO shall determine the rates and conditions, if any, in accordance with the Board's intent and purpose in adopting this policy. Reimbursements for unexpected expenses shall only be made upon the presentation of a written request from the member and submission of original receipts.



### **3. Applicant Residing Outside the State of California**

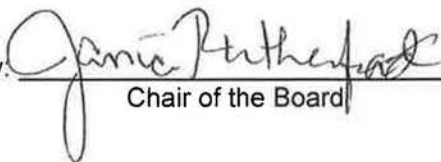
An applicant residing outside of California is still required to undergo a medical examination pursuant to Rule 4 of the Procedures *for Disability Retirement Applications and Formal Hearings*. SBCERA will make reasonable efforts to find an Independent Medical Examiner within the state where the applicant resides to perform the medical examination.



**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

016  
Admin Committee  
Benefits

**Issue No.** 2.0  
**Effective Date:** 03/07/2019  
**Page(s)** 2

By:   
Chair of the Board

**Subject: STANDARD FOR DETERMINING WHETHER A MEMBER IS "INCAPABLE" OF GAINFUL EMPLOYMENT**

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**STANDARD FOR DETERMINING WHETHER A MEMBER IS "INCAPABLE" OF GAINFUL EMPLOYMENT**

**Introduction**

Section 31740 of the County Employees' Retirement Law (CERL) creates a special supplemental disability benefit (the "supplemental benefit") for general members who are not only disabled for the performance of their duties, but also entirely "incapable of gainful employment." Section 31740 also empowers the Board of Retirement to adopt regulations for the administration of the supplemental benefit. The supplemental benefit is only available in a county that has adopted Article 15.6 of the CERL and withdrawn from the federal Social Security system. As of the adoption of this policy, San Bernardino County is the only CERL county in which Article 15.6 and section 31740 have been adopted.

The San Bernardino County Employees' Retirement Association (SBCERA) has defined "gainful employment," for purposes of the administering the supplemental benefit, as "the performance of any service for compensation with the exception of service as a juror or witness in a court proceeding, or service as an election official." This policy is not intended to, and does not, alter the definition of "gainful employment," but is intended to clarify what it means for a member to be "incapable" thereof.

The Board finds that the supplemental benefit was intended by the Legislature as a replacement for benefits foregone when the county withdrew from the federal Social Security system and replaced some of the foregone benefits with section 31740 (in addition to Article 15.6). Accordingly, the Board finds it is appropriate, in determining whether a member is "incapable" of gainful employment, to consider factors similar to those that would guide decisions by the Commissioner of Social Security in administering the parallel federal benefit, eligibility for which is defined at 42 U.S.C. §423. Therefore, the Board adopts the following standard for determining whether a member is "incapable" of gainful employment:

**Operating Criteria**

An individual shall be determined to be “incapable” of gainful employment only if his or her physical or mental impairment or impairments are of such severity that he or she is not only unable to do his or her previous work, but also cannot, considering age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he or she lives, or whether a specific job vacancy exists, or whether he or she would be hired if applying for such work. For purposes of the preceding sentence (with respect to any individual), “work which exists in the national economy” means work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

The member shall have the burden of proving all elements required for eligibility for the supplemental benefit.

In applying these criteria, the Board may seek guidance from, but shall not be bound by, regulations, case law, administrative decisions, and other authorities interpreting and applying section 423 of Title 42 of the United States Code.



<b>POLICY NO.</b>	017	<b>Issue No.</b>	1.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	08/06/2015
<b>Policy Category:</b>	Benefits	<b>Page(s)</b>	12
<b>Approved.</b>			

By:   
 Chairman of the Board

**Subject: REQUIRED MINIMUM DISTRIBUTION RULES**

**REQUIRED MINIMUM DISTRIBUTION RULES**

**SECTION I. GENERAL RULES**

**A. Purpose and Effective Date**

In accordance with Government Code sections 31485.14 and 31706 , the rules set forth in this Policy are effective as of August 6, 2015 and reaffirm and clarify the existing practices of the San Bernardino County Employees' Retirement Association (SBCERA) with respect to the minimum distribution requirements under Internal Revenue Code section 401(a)(9) (the "Code").

This Policy is intended to be in accordance with the Code and the applicable United States Department of the Treasury (Treasury) regulations. To the extent there is a conflict between this Policy and the Code and Treasury regulations, the applicable federal law will govern.

SBCERA may establish reasonable procedures for complying with the minimum distribution requirements under section 401(a)(9) of the Code that it deems necessary or desirable to comply with applicable tax laws or for administrative purposes.

**B. Reasonable Good Faith Interpretation of Code**

In accordance with section 823 of the Pension Protection Act of 2006 ("PPA"), this Policy is promulgated in accordance with a reasonable good faith interpretation of section 401(a)(9) of the Code, and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of section 414(d) of the Code. For purposes of section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

**C. Elections Under TEFRA § 242(b)(2)**

Notwithstanding the other requirements of this Policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

**D. Defined Terms**

Capitalized terms used in this Policy are defined in Section VI. Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

**SECTION II. TIME AND MANNER OF DISTRIBUTION**

**A. Required Beginning Date**

The Member's entire interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date.

**B. Forms of Distribution**

1. Periodic And Other Forms Of Payments

A Member's entire interest in SBCERA shall be distributed in the form of RMD Annuity payments that meet the requirements of paragraph 2 of this subsection or in the form of a single sum or an insurance company annuity contract that meets the requirements of paragraph 3.a of this subsection. Payments may be made in a combination of these forms of payment and may include lump sum refunds or withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

2. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

a. Periodic

RMD Annuities must be paid over equal payment intervals which may not be longer than one year.

b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Section III or Section IV of this Policy.

c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section V.A.

d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

3. Other Forms

a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code.

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Section 401(a)(9) of the Code that apply to individual accounts.

**C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals.**

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under section IV.A.1 or IV.A.2.

### SECTION III. RMD ANNUITY DISTRIBUTIONS BEGINNING DURING MEMBER'S LIFE

The following rules must be met to comply with the requirements of the Code and this Policy for RMD Annuities that begin during the Member's lifetime.

#### A. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this Policy.

#### B. Joint and Survivor RMD Annuity - Death of Member After Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

#### C. Joint and Survivor RMD Annuity With Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving Spouse, with no benefits paid to any other person, meets the requirements of the Code and this Policy regardless of the difference in age of the Member and the Member's Spouse.

#### D. Joint and Survivor RMD Annuity When the Sole Beneficiary Is Not the Member's Spouse

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the

table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

3. Rule Regarding Other Beneficiaries

Solely to the extent required by section 401(a)(9) of Title 26 of the Code and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under paragraph 2 of this subsection D), then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to survivor benefits.

**E. Period Certain RMD Annuity**

1. Spouse is the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9, Q&A-3, of the Treasury Regulations, using the Member's and Spouse's ages as of the Member's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse is Not the Sole Beneficiary

When the Member's surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the distribution period for the Member is the distribution period for age 70 increased by the difference between 70 and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.



3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section III.D above shall apply.

4. Rule Regarding Other Beneficiaries

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

**SECTION IV. DISTRIBUTIONS WHEN MEMBER DIES BEFORE BENEFITS BEGIN**

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

**A. When Distributions Must Begin**

1. Spouse is the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is the Member's surviving Spouse, then, except as provided in paragraph 5 of this subsection A, distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached age 70 1/2.

2. Spouse is not the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this subsection A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this section IV.A.1, other than section IV.A.1, applies as if the surviving Spouse were the Member.

5. Election of Five Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by SBCERA, to have the five year rule of section IV.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

**B. When Distributions Are Considered to Begin**

For purposes of this Section IV, unless Section IV.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section IV.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section IV.A.1. If distributions under an RMD Annuity meeting the requirements of this Policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section IV.A.1), the date distributions are considered to begin is the date distributions actually commence.

**C. Length of Distribution Period**

Member Is Survived by a Designated Beneficiary

a. General Rule

If the Member is survived by a Designated Beneficiary, the Member's entire interest in SBCERA shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in C.1.b

b. Period Certain

The period certain in C.1.a may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse Before Distributions To Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section IV.C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section IV.A.1.

**SECTION V. SPECIAL RULES**

**A. RMD Annuity Payment Increases**

RMD Annuity payments will either not increase over time or increase only as follows:

Cost of Living Adjustments (COLA)

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by SBCERA, in accordance with the CERL, to represent an appropriate amount to take account of cost of living increases affecting retirees or beneficiaries.

2. "Pop-Up's"

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member's beneficiary pursuant to a domestic relations order under applicable state law.

3. Single Sum Distribution

RMD Annuity Payments may increase to the extent necessary to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the Member's death or under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-14(a)(5) and taking into account the vested rights in retirement benefits created by the California Constitution, to allow a beneficiary to select a lump sum distribution of all or part of the Member's interest under SBCERA as provided in the CERL.

4. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, the California Government Code or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

5. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to Article 5.5 of the CERL dealing with the Supplemental Retiree Benefit Reserve; (iii) pursuant to Section 31691.1 of the CERL; and (iv) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

**B. Additional Accruals After First Distribution Calendar Year**

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

**C. Domestic Relations Orders**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former spouse shall be deemed to be separate Members of the System for purposes of this Policy and section 401(a)(9) of the Code.

**D. Reciprocal Member**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which SBCERA has reciprocity under California law, then for purposes of determining the Required Beginning Date under SBCERA the Member shall be treated as a current employee of SBCERA and as such, as if he or she had not retired, even if he or she has attained age 70½.

**E. Public Safety Member Killed In Line of Duty**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

**F. Rollovers**

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

**G. Payments to Surviving Child Treated as Made to Surviving Spouse**

Solely to the extent required by section 401(a)(9) of Title 26 of the Code and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and this Policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under section 401(a)(9) of the Code.

**SECTION VI DEFINITIONS**

**A. Annuity Starting Date**

"Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as an RMD Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

**B. Designated Beneficiary**

"Designated Beneficiary" means the individual who is designated by the Member (or the Member's surviving Spouse) as the beneficiary of the Member's interest under SBCERA and who is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member's estate or a trust, cannot be a Designated Beneficiary of a Member's interest in SBCERA. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this Policy and Code section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire

interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

**C. Distribution Calendar Year**

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section IV.A of this Policy.

**D. Required Beginning Date**

"Required Beginning Date" means April 1 of the calendar year following the later of the calendar year in which the Member attains age 70½ or the calendar year in which the Member retires.

**E. RMD Annuity**

"RMD Annuity" means, for purposes of the required minimum distribution rules in section 401(a)(9) of the Code, a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this Policy does not mean "annuity" as defined in the CERL but instead means a retirement benefit that is payable by the Association.

**F. Spouse**

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).



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**Committee:**  
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018  
Admin Committee  
Benefits

**Issue No.** 1.0  
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**Page(s)** 6

By:   
Chairman of the Board

**Subject: COMPENSATION LIMIT**

**COMPENSATION LIMIT**

**INTERNAL REVENUE CODE SECTION 401(a)(17)  
COMPENSATION LIMIT**

**SECTION I. PURPOSE AND SCOPE**

In accordance with California Government Code section 31671, the rules set forth in this Policy are effective as of August 6, 2015, and reaffirm and clarify the existing practices of the San Bernardino County Employees' Retirement Association (SBCERA) with respect to the limit on annual compensation under section 401(a)(17) of the Internal Revenue Code (the "Code"). For this Policy, the Code includes United States Department of the Treasury (Treasury) regulations issued under section 401(a)(17).

This Policy is intended to be in accordance with the Code and the applicable Treasury regulations. To the extent there is a conflict between this Policy and the Code and Treasury regulations, the applicable federal law will govern.

SBCERA may establish reasonable procedures for complying with the limit on annual compensation under section 401(a)(17) of the Code that it deems necessary or desirable to comply with applicable tax laws or for administrative purposes.

Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

**SECTION II. LIMITATION ON ANNUAL COMPENSATION EARNABLE**

**A. In General**

**1. Annual Compensation Earnable Limit**

The annual amount of compensation that is taken into account in determining all benefits provided by SBCERA to affected Members for any year, which is referred to in the CERL and in this Policy as "Compensation Earnable", shall in no event be greater than the amount allowed by Code section 401(a)(17), \$200,000 adjusted in accordance with the Code for increases in the cost of living.. This limit is called the Annual Compensation Earnable Limit in this Policy. (Certain Members may also be subject to the limitation on "Pensionable Compensation")



under Government Code Section 7522.10(c) and (d) which would produce a lower limit than the limit under section 401(a)(17) of the Code.)

2. Members Affected By the Annual Limit

a. Not Applicable to Pre-July 1, 1996 for SBCERA Members

The Annual Compensation Earnable Limit does not apply to any individual who first became a Member of the Association prior to July 1, 1996.

b. Applies to New Members of the Association On and After July 1, 1996

In accordance with California Government Code section 31671, the Annual Compensation Earnable Limit shall apply to all individuals who first become Members of the Association on or after July 1, 1996.

c. Date First Becomes a Member

An individual's original membership date into SBCERA will be used regardless of whether the Member terminated and resumed participation in SBCERA at a later date.

**B. Operational Rules, In General**

This section applies to Members who are not grandfathered under section A,2,a.

1. Limited Compensation Earnable

All Compensation Earnable that would be taken into account for determining benefits provided by SBCERA without regard to this Policy is subject to the Annual Compensation Earnable Limit. Such Compensation Earnable is not limited to salary or to base salary.

2. Benefits Affected by the Limit

The Annual Compensation Earnable Limit applies to the determination of all benefits provided by the Association including pensions, annuities, retirement allowances, death benefits, disability benefits, refunds and withdrawals that are determined by member contributions (including such contributions that are or may have been in the past "picked up" by the employer) and earnings thereon.

RESCINDED BY BOARD 08/01/2019

3. Compensation Earnable from More Than One Employer

If Compensation Earnable from more than one employer that participates in SBCERA is taken into account in determining a Member's benefits, the Annual Compensation Earnable Limit shall apply separately to the Compensation Earnable from each employer. For example, if the Compensation Earnable Limit is \$260,000 for the year and the Member has Compensation Earnable of \$200,000 from one participating employer and \$100,000 from another participating employer, the unproduced total Compensation Earnable from each employer may be taken into account. The Annual Compensation Earnable Limit does not apply to the aggregate of Compensation Earnable earned from all employers that participate in the Association.

4. Proration for Short Plan Year

If a plan year consists of fewer than 12 months, the Annual Compensation Earnable Limit is an amount equal to the otherwise applicable Annual Compensation Earnable Limit multiplied by a fraction, the numerator of which is the number of months in the short plan year, and the denominator of which is 12. No proration is required for participation of less than a full plan year.

5. Reciprocity and New Membership in the Association

An individual who becomes a Member of SBCERA on or after July 1, 1996, and who has reciprocity with another public sector retirement plan nevertheless is a new Member of SBCERA for purposes of this Policy. Membership before July 1, 1996 in another retirement plan with which SBCERA has reciprocity does not create pre-July 1, 1996 SBCERA membership for purposes of the Annual Compensation Earnable Limit.

6. Reciprocity and Prior Membership In the Association

A person who was a grandfathered Member of SBCERA prior to July 1, 1996 under section A,2,a, who terminated employment with an employer that participated in SBCERA, remains a Member of SBCERA prior to July 1, 1996. Therefore, if the Member established reciprocity between another public sector retirement plan and SBCERA, any higher Compensation Earnable that is earned under the other plan shall be taken into account by SBCERA in accordance with the rules of reciprocity and that Compensation Earnable shall not be limited by the Annual Compensation Earnable Limit.

7. Relationship Between Internal Revenue Code Section 415 Limit and Compensation Earnable Code Section 401(a)(17) Limit

The limits of Internal Revenue Code section 415 and Code section 401(a)(17) are separate and independent. Each limit is operated according to its own rules and applies separately. Therefore, the Annual Compensation Earnable Limit may apply to a Member and the Code section 415 limit may not apply. Similarly, the Code section 415 limit may apply to a Member and the Annual Compensation Earnable Limit may not apply. Also, both of these limits may apply to the same Member.

8. Clarification Concerning Member Contributions

Because Member contributions are the basis for benefits provided by SBCERA, Member contributions shall not be made by taking into account Compensation Earnable in excess of the Annual Compensation Earnable Limit. To the extent the provisions of the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), including Government Code Section 7522.10(h) include greater limitations on the manner in which Member contributions may be calculated, such limits shall apply to the calculation of Member contributions.

9. General Plan Year Rule for Determining the Limit

If Compensation Earnable for any prior plan year is taken into account in determining a Member's benefits for the current plan year, the Compensation Earnable for such prior plan year is subject to the applicable Annual Compensation Earnable Limit in effect for that prior plan year. In addition, in determining benefits for plan years beginning on or after January 1, 2002, the Annual Compensation Earnable Limit in effect for plan years beginning before that date is \$200,000.

### SECTION III. PLAN YEAR AND COST OF LIVING ADJUSTMENTS

A. Annual Adjustment for Cost-of-Living Increases

The Annual Compensation Earnable Limit may be adjusted annually by the Internal Revenue Service for cost of living changes in accordance with the Code.

**B. General Rule--Application of Limit to a Plan Year**

In general, the Annual Compensation Earnable Limit is applied to the Compensation Earnable for the plan year on which accruals of benefits from SBCERA are based.

**C. Plan Year Compensation Earnable**1. General Rule

To the extent SBCERA determines Compensation Earnable for benefit accruals for a plan year based on Compensation Earnable for the plan year, then the Annual Compensation Earnable Limit that applies for that plan year is the limit in effect for the calendar year in which the plan year begins. Since SBCERA's plan year corresponds to the fiscal year beginning on the first day of July, the Compensation Earnable used to determine all benefit accruals for each plan year is limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year in which the plan year begins.

2. Member Contributions

Since SBCERA's plan year is the fiscal year beginning on the first day of July, Compensation Earnable used to determine Member contributions for each plan year shall be limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year in which the plan year begins.

**D. Examples**1. Example - Retirement Allowance

The retirement allowance provided by SBCERA for certain Members is based on the highest 12 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable Limit was \$250,000 for the 2012 calendar year and \$255,000 for the 2013 calendar year. A Member retires in May, 2013. The Member's highest 12 consecutive months of Compensation Earnable is for the period May 1, 2012 through April 30, 2013. The annual Compensation Earnable used for determining this Member's benefits for the 2013 year is limited to \$250,000, not \$255,000, because this is the limit in effect for the calendar year in which the 12-consecutive month period began.

For some Members of SBCERA, including Members subject to the requirements enacted under the "PEPRA", the retirement allowance provided by SBCERA is based on the highest 36 consecutive months of Pensionable

Compensation ending within the plan year. The Annual Compensation Earnable Limit was \$245,000 for 2011, \$250,000 for 2012, and \$255,000 for 2013. A Member retires in May 2014. The Member has \$300,000 per year (\$25,000 per month) of Compensation Earnable during the Member's highest 36 consecutive months of Compensation Earnable for the period May 1, 2011 through April 30, 2014. The Association may not base the Member's benefits for 2014 on annual Compensation Earnable in excess of \$250,000, the average of the limits in effect for each of the three 12-consecutive month periods: the May 1, 2011 through April 30, 2012 period is capped at \$245,000, the 2011 limit; the May 1, 2012 through April 30, 2013 is capped at \$250,000, the 2012 limit; and the May 1, 2013 through April 30, 2014 is capped at \$255,000, the 2013 limit. The average of these capped amounts is the Annual Compensation Earnable Limit for determining benefits for the 2014 plan year for a member who retires in May, 2014 because that is the limit for the calendar year in which the member's average compensation earnable begins.

2. Example: Member Contributions

The refund or withdrawal benefits from Member contributions are accrued on an annual basis. The Annual Compensation Earnable Limit was \$245,000 for the 2011 calendar year, \$250,000 for the 2012 calendar year; and \$255,000 for the 2013 calendar year. Although SBCERA's plan year for other purposes runs from July 1 to the following June 30, SBCERA applies the compensation limits addressed in this policy on a calendar year basis.

RESCINDED BY BOARD 08/19/2019



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By:   
Chairman of the Board

**Subject: ROLLOVERS**

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## ROLLOVERS

### **INTERNAL REVENUE CODE SECTION 402(c) ROLLOVERS**

#### **SECTION I. PURPOSE AND SCOPE**

In accordance with Government Code section 31485.15, the rules set forth in this Policy are effective as of August 6, 2015, and reaffirm and clarify the existing practices of the San Bernardino County Employees' Retirement Association ("SBCERA") with respect to rollovers into and out of SBCERA in accordance with the Internal Revenue Code (the "Code"). For this Policy, Code includes the United States Department of the Treasury (Treasury) regulations issued under the Code.

This Policy is intended to be in accordance with the Code and the applicable Treasury regulations. To the extent there is a conflict between this Policy and the Code and Treasury regulations, the applicable federal law will govern.

SBCERA may establish any reasonable procedures for paying rollover distributions or accepting rollover contributions that it deems necessary or desirable for complying with applicable tax laws or for administrative purposes.

Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

#### **SECTION II. ROLLOVER DISTRIBUTIONS FROM SBCERA**

##### **A. Rollovers**

##### **1. Direct Rollover**

A "Direct Rollover" is that portion of an Eligible Rollover Distribution SBCERA pays directly to an Eligible Retirement Plan, and may also be referred to as a trustee-to-trustee transfer to an Eligible Retirement Plan, at the direction of an Eligible Individual.

2. Indirect Rollover

An "Indirect Rollover" is that portion of an Eligible Rollover Distribution that SBCERA pays directly to an Eligible Individual.

**B. Eligible Individuals**

1. Eligible Individual

Only an "Eligible Individual" may elect a Direct Rollover. An "Eligible Individual" is:

a. Terminated From Employment

A Member who has terminated employment from the County of San Bernardino (or other agency covered by SBCERA) and who is eligible to withdraw his or her accumulated Member contributions under SBCERA;

b. Surviving Spouse

A deceased Member's surviving Spouse;

c. Alternate Payee

A Member's or former Member's Spouse or former Spouse who is the alternate payee under a domestic relations order, as defined in Code section 414(p), with regard to the interest of the Spouse or former Spouse; and

d. Non-Spouse Beneficiary

A deceased Member's non-spouse beneficiary who is a "designated beneficiary" under Code section 401(a)(9)(E), subject to the non-spouse beneficiary provisions in Section II.G.

2. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in

another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that jurisdiction (whether opposite-sex or same-sex relationships).

**C. Payments that Can and Cannot be Rolled Over**

1. Eligible Rollover Distribution Required

SBCERA will pay a Direct Rollover on behalf of an Eligible Individual only if the payment is an "Eligible Rollover Distribution."

2. Eligible Rollover Distribution Defined

An "Eligible Rollover Distribution" is any distribution to an Eligible Individual of all or any portion of the amount credited to the Eligible Individual under SBCERA. These amounts may include (a) refunds of Member contributions plus accumulated interest, or (b) one-time lump sum death benefit payments.

3. After-Tax Portion

The portion of a distribution that consists of after-tax Member contributions may be rolled over if the after-tax funds are transferred in a direct trustee-to-trustee transfer to (a) a qualified trust or (b) an annuity contract described in Code Section 403(b). After-tax Member contributions may also be rolled over to an individual retirement account or annuity described in Code Section 408(a) or (b). The qualified trust or annuity contract must separately account for the transferred after-tax amounts, and must also separately account for the earnings on the after-tax amounts.

4. Exclusions From Eligible Rollover Distributions

An Eligible Rollover Distribution does not include the following kinds of payments:

a. Periodic Payments

Payments that are part of a series of substantially equal periodic payments (i) made at least once per year over the life (or life



expectancy) of the Eligible Individual or the life (or life expectancy) of the Eligible Individual and his or her designated beneficiary, or (ii) made for a period of 10 years or more; or

b. Required Distributions

Payments that are "required minimum distributions" under Code Section 401(a)(9).

**D. Eligible Retirement Plans**

1. Payment to Eligible Retirement Plan

SBCERA will pay an Eligible Rollover Distribution directly to an "Eligible Retirement Plan."

2. Eligible Retirement Plan Defined

An "Eligible Retirement Plan" is:

- a. An annuity plan described in Code Section 403(a);
- b. An annuity contract described in Code Section 403(b);
- c. A governmental eligible deferred compensation plan described in Code Section 457(b) that agrees to separately account for amounts transferred into such plan from SBCERA,
- d. An individual retirement annuity described in Code Section 408(a);
- e. An individual retirement account described in Code Section 408(b);
- f. A Roth IRA described in Code Section 408A; or
- g. A qualified trust described in Code section 401(a) (including defined benefit pension plans and defined contribution plans such as 401(k) plans, profit sharing plans, and money purchase plans).

3. Certain Exclusions

An Eligible Retirement Plan does not include, and a rollover cannot be made to, a SIMPLE IRA or a Coverdell Education Savings Account.

**E. Direct Rollovers**

1. Withholding and Direct Rollovers

SBCERA will not withhold any federal or state income taxes from a Direct Rollover. The only exception is that SBCERA will withhold federal or state income taxes from a Direct Rollover to a Roth IRA if the Eligible Individual requests that withholding on a form and in the manner prescribed by SBCERA.

2. Administrative Requirements, In General

An Eligible Individual who requests a Direct Rollover must complete a distribution form in the manner and form that SBCERA prescribes. SBCERA may require the Eligible Individual to provide any reasonable information and/or documentation for purposes of administering the Direct Rollover in accordance with the Code.

3. Rollover Check

The Eligible Individual must provide SBCERA with the name of the Eligible Retirement Plan to which the rollover check will be made payable for his or her benefit. If the Eligible Individual so chooses, SBCERA will provide this rollover check directly to the Eligible Individual who will be responsible for delivering the check to the recipient IRA or plan.

4. Eligible Individual's Responsibility Re Recipient Plan

The Eligible Individual is responsible for ensuring that any Eligible Retirement Plan that he or she has designated to receive the Eligible Individual's distribution from SBCERA in a Direct Rollover is an Eligible Retirement Plan that will accept and receive the rollover on his or her behalf in accordance with the applicable tax rules.

5. Time of Payment

SBCERA will pay a Direct Rollover on behalf of an Eligible Individual as soon as is reasonably and administratively practicable in accordance with its withdrawal and/or death benefit payment processes.

**F. Indirect Rollovers**

1. Choice of Indirect Rollover

An Eligible Individual, other than a non-spouse beneficiary, may also choose to receive a rollover payment as an Indirect Rollover.

2. Indirect Rollover Withholding

An Indirect Rollover is subject to 20% federal income tax withholding and any applicable state withholding. SBCERA will withhold and deduct these taxes on behalf of the Eligible Individual as prescribed by federal and applicable state law.

3. Eligible Individual's Responsibility Re Recipient Plan

It is the responsibility of the Eligible Individual to roll over all or some portion of his or her Indirect Rollover payment to an IRA or eligible employer plan within 60 days if he or she wants the payment to qualify as a rollover for tax purposes. If an Eligible Individual wants to roll over 100% of the payment, the Eligible Individual must replace the 20% that was withheld for federal income taxes (and any applicable state withholding) with other money.

**G. Direct Rollover of a Non-Spousal Distribution**

1. Trustee-To-Trustee Transfer Required

A rollover on behalf of a non-spouse beneficiary must be a direct or trustee-to-trustee transfer and may not be paid in the form of an Indirect Rollover.

2. Non-Spouse Beneficiaries Who May Rollover and Rollover to Inherited IRA Only

A non-spouse beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) may roll over all or any portion of the non-spouse beneficiary's Eligible Rollover Distribution to an IRA that is established by the non-spouse beneficiary for purposes of receiving the distribution and that is treated as an "inherited IRA" under the Code. The IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the beneficiary (for example, "Tom Smith as beneficiary of John Smith").

3. Trust as Beneficiary

If the non-spouse beneficiary is a trust, SBCERA may make a Direct Rollover to an IRA on behalf of the trust, provided the beneficiaries of the trust satisfy the requirements to be designated beneficiaries within the meaning of Code Section 401(a)(9)(E). The IRA on behalf of the trust must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the trust beneficiary (for example, "The Smith Family Trust as beneficiary of John Smith").

H. **Notice Requirements**

1. 402(f) Notice From the Association

SBCERA will provide the tax notice required under Code Section 402(f) to each Eligible Individual who requests a withdrawal from SBCERA.

2. Time Periods

SBCERA will not process any withdrawals from the Association until 30 days after the date such notice is received by the Eligible Individual requesting the withdrawal. If, however, the Eligible Individual waives this 30-day period on a form and in the manner prescribed by SBCERA, SBCERA may process the withdrawal before the 30-day period expires.

**SECTION III. ROLLOVER CONTRIBUTIONS TO THE ASSOCIATION**

Adoption of a Policy providing for the acceptance of certain rollover contributions as determined below does not create any continuing entitlement for Eligible Members to make rollover contributions to SBCERA in the future and the right to make rollover contributions to SBCERA may be amended or terminated at any time and for any reason.

If SBCERA has determined to permit any rollover contributions, SBCERA will permit Eligible Members to make a rollover contribution to the SBCERA subject to the limitations and conditions described in this Section III.

**A. General Rules**

1. Eligible Member

An "Eligible Member" is (1) an active Member of SBCERA, or (2) a Member of SBCERA that has elected a deferred retirement.

2. Rollovers Allowed

SBCERA will permit an Eligible Member to make a rollover contribution to SBCERA for (a) a purchase of service credit (to the extent a purchase of service credit is not prohibited under the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), or (b) a redeposit of previously withdrawn funds plus accumulated interest.

3. Separate Accounting

SBCERA will separately account for all rollover contributions.

4. Certification to the Association By Member

Only eligible rollover distributions as defined by Code Section 402(c)(4) can be contributed to SBCERA. In addition to any requirements under subsections B, C, and D below, each Eligible Member making a rollover contribution to SBCERA must certify in writing the source of the rollover funds and that the rollover contribution is an eligible rollover distribution under the Code. SBCERA will not accept rollovers of any after-tax contributions or amounts attributable to designated Roth contributions, amounts that represent minimum required distributions, or any rollover that is an indirect rollover.

5. Elections and Association Discretion

An Eligible Member must make an election to purchase service credit or redeposit previously withdrawn contributions with a rollover contribution in the manner and form that is prescribed by SBCERA. SBCERA has final discretionary authority to determine whether any required information or documentation is satisfactory, whether a purchase of service credit would be prohibited under PEPRA, and whether SBCERA will accept an Eligible Member's rollover contribution.

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6. Correction of Errors

If SBCERA accepts a rollover contribution that it later determines was not eligible to be rolled over to SBCERA, SBCERA will distribute, as soon as administratively possible, the amount of the rollover contribution back to the Eligible Member, plus accumulated interest.

**B. Rollovers from Qualified Plans**

1. Acceptance of Rollover

SBCERA may accept a rollover from another plan that is qualified under Code Section 401(a) and exempt from tax under Code Section 501(a).

2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the sending plan's tax-qualified status and that the rollover contribution is valid. SBCERA may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

a. Eligible Member Certification

The Eligible Member must provide the following additional information to SBCERA:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from a Code section 401(a) qualified plan, contains no after-tax or designated Roth contributions or earnings, or any amounts representing a required minimum distribution under Code section 401(a)(9); or
- (ii) A signed certification from the transferring plan's administrator that the rollover contribution contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9).

If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

b. SBCERA Verification of Payment Source

SBCERA must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the former 401(a) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

c. SBCERA Verification That the Plan is a Tax-Qualified Plan

SBCERA must take reasonable steps to verify that the rollover will be from a tax-qualified plan which can include the following or any other methods allowed in guidance issued by the IRS.

- (i) SBCERA may look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. SBCERA will check the entry on the line for characteristics indicating that the plan is intended to be a qualified plan (e.g. examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines SBCERA may reasonably conclude that the plan is qualified, unless SBCERA has any direct evidence to the contrary.
- (ii) If the qualified plan is not required to file Form 5500 or Form 5500-SF, then the Eligible Member must provide one of the following to SBCERA demonstrating the source of the rollover contribution is a qualified plan: (a) a copy of the plan's most recent favorable determination letter from the IRS stating the plan is tax-qualified and a written certification from the plan's administrator that the plan continues to be tax-qualified, or (b) a written and signed certification from the plan's administrator that the source of the eligible rollover distribution is a qualified plan under Code Section 401(a).

**C. Rollovers from an IRA**

1. Acceptance of Rollover

SBCERA may accept a rollover from an individual retirement account or annuity (IRA) described in Code Section 408(a) or Code Section 408(b).

2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the IRA's status and that the rollover contribution is valid. SBCERA may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the IRS.

a. Eligible Member Certification

The Eligible Member must provide the following additional information to the Association:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from his or her IRA and contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9) or; or
- (ii) If the Eligible Member cannot certify, with respect to the after-tax or designated Roth contributions, a signed certification from an accountant or tax advisor or the IRA trustee/custodian providing the amount of pre-tax contributions and after-tax or designated Roth contributions in the IRA.

SBCERA will only accept a rollover contribution from the IRA in the amount of the pre-tax contributions and earnings. If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

b. SBCERA Verification of Payment Source

SBCERA must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the IRA of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

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**D. Rollovers from Other Plans: 457(b) and 403(b)**

1. Acceptance of Rollover

The Association may accept rollover contributions from an eligible plan under Code section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state (a "governmental 457(b) plan"), and an annuity contract described in Code section 403(b).

2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the sending plan's status as an eligible 457(b) plan or an eligible Code section 403(b) annuity or custodial account and that the rollover contribution is valid. SBCERA may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the IRS.

a. Eligible Member Certification

The Eligible Member must provide the following additional information to SBCERA:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from an eligible 457(b) or 403(b) plan and contains no after-tax or designated Roth contributions or earnings; or
- (ii) A signed certification from the transferring plan's administrator that the rollover contribution contains no after-tax or designated Roth contributions or earnings.

If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

b. SBCERA Verification of Payment Source

SBCERA must take steps to verify that the payment source (on the incoming check or wire transfer) is the former eligible 457(b) or 403(b) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

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c. SBCERA Verification That the Plan is an Eligible Plan

SBCERA must take reasonable steps to verify that the rollover will be from an eligible 457(b) plan or 403(b) plan which can include the following or any other methods allowed in guidance issued by the (IRS).

- (i) SBCERA may look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. SBCERA will check the entry on the line for characteristics indicating the plan is intended to be an eligible 457(b) or 403(b) plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, SBCERA may reasonably conclude that the plan is an eligible plan, unless SBCERA has any direct evidence to the contrary.
- (ii) If the 457(b) or 403(b) plan is not required to file Form 5500 or Form 5500-SF, then the Eligible Member must provide one of the following to SBCERA demonstrating that the source of the rollover contribution is an eligible governmental 457(b) plan or a Code section 403(b) plan: (a) a copy of the transferring plan's most recent private letter ruling from the IRS stating that the transferring plan qualifies as an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable, and a signed certification from the transferring plan's administrator that the transferring plan continues to be so qualified, or (b) a signed certification from the transferring plan's administrator that the rollover distribution source is an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable.

If the above verification cannot be made, SBCERA will not accept the rollover.

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Chairman of the Board

**Subject: INTERNAL REVENUE CODE §415 – ANNUAL LIMITS**

**INTERNAL REVENUE CODE §415 – ANNUAL LIMITS**

**INTERNAL REVENUE CODE SECTION 415  
PART A. LIMITS ON ANNUAL BENEFITS (§415(b))**

**SECTION I. PURPOSE AND SCOPE**

In accordance with California Government Code section 31899 et. seq., the rules set forth in this Policy are effective as of August 6, 2015, and reaffirm and clarify the existing practices of the San Bernardino County Employees' Retirement Association ("SBCERA") with respect to the limits on benefits under section 415(b) of the Internal Revenue Code (the "Code"). For this Policy, the Code includes United States Department of the Treasury (Treasury) regulations issued under section 415(b). To the extent there is a conflict between this Policy and the Code, the Code governs.

SBCERA may establish reasonable procedures for complying with the limits on benefits under section 415(b) of the Code that it deems necessary or advisable for complying with applicable tax laws or for administrative purposes.

Capitalized terms used in this Part are defined in Section VII. Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

**SECTION II. ANNUAL BENEFIT LIMIT**

**A. Annual Benefit Limit, In General**

**1. Annual Limit**

Unless the alternative limit described in subsection E of this Section applies, the Annual Benefit payable to a Member under SBCERA at any time shall not exceed the dollar limit specified under section 415(b)(1)(A) of the Code), automatically adjusted under §415(d) of the Code, effective January 1 of each year, as provided by the Internal Revenue Service.

2. Maximum Payment

If the benefit the Member would otherwise be paid in a Limitation Year would be in excess of the limit in subsection A.1, the benefit shall be limited to a benefit that does not exceed the limit.

3. COLA Adjustment

In the case of a Member who has had a Severance From Employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

4. Multiple Annuity Starting Dates

a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this Policy as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.

b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment For Forms Of Benefit

Except as provided in paragraph 6 of this Section II.A, if the Member's benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of applying the limits of Code section 415 and of this Policy, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph (a) or (b) below, whichever is applicable.

a. Annuities. If the Member's benefit is payable in the form of a non-decreasing life Annuity or other form of benefit described in Treasury regulation section 1.417(e)-1(d)(6) (e.g., other than a lump sum, installments, a decreasing Annuity or a term certain), then the actuarially equivalent Straight Life Annuity is equal to the greater of:

i. The Straight Life Annuity (if any) payable to the Member under SBCERA commencing at the same Annuity Starting Date as the form of benefit payable to the Member, or

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- ii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using:
  - A. The Applicable Mortality Table; and
  - B. A 5% interest assumption.
  
- b. Lump sums, installments, etc. If the Member's benefit is payable in the form of a lump sum, installments, a decreasing Annuity, term certain or other form of benefit not described in Treasury regulations section 1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:
  - i. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the Plan for adjusting benefits in the same form;
  - ii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or
  - iii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table divided by 1.05.

No Actuarial Adjustment (Or Limitation) Required For Certain Benefits.

In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits or benefit forms:

- a. Qualified joint and survivor Annuity. Survivor benefits payable to a surviving Spouse under a joint and survivor Annuity that would qualify as a qualified joint and survivor Annuity defined in section 417(b) of the Code. If benefits are paid partly in the form of a qualified joint and survivor Annuity and partly in some other form

(such as a single sum distribution), the rule of this paragraph applies only to the survivor Annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor Annuity.

- b. Benefits that are not "retirement benefits". Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
- c. Certain automatic benefit increases. Benefits that meet the following requirements: (i) SBCERA provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of SBCERA's Board of Retirement or the County of San Bernardino's Board of Supervisors) and (ii) the form of benefit complies with Code section 415(b) without regard to the automatic benefit increase.

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code section 415(d). Also if the form of benefit without regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in section II.A.5 of this Policy.

7. Rules for Determining Annual Benefit.

- a. Social Security Supplements, Etc. The determination of the Annual Benefit shall take into account social security supplements described in § 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant § 1.411(d)-4, Q&A-3(c), of the Treasury regulations.
- b. Member Contributions. The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include any benefits that are made on a pre-tax basis such as

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pickups under Code section 414(h)(2) or such as Member contributions that are actually paid by the Member's Employer.

- c. Rollovers. The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code section 415.
- d. Voluntary Contributions. Member contributions that are defined as "voluntary" contributions under Code section 415 (such as certain contribution under California Government Code section 31627) are not subject to the limits of this Policy but are subject to the limits of Code section 415(c) concerning defined contribution plans.

**B. Reduction for Less Than 10 Years of Participation**

1. Reduction

If the Member has less than 10 Years of Participation in SBCERA, the Annual Benefit Limit shall be multiplied by a fraction -- (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in SBCERA, and (ii) the denominator of which is 10.

2. Counting Years of Participation

The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (i) the Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of SBCERA in order to accrue a benefit for the accrual computation period, and (ii) the Member is included as a Member under the eligibility provisions of SBCERA for at least one day of the accrual computation period. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period. A Member who is permanently and totally disabled within the meaning of § 415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if under SBCERA, a Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,043.5 hours of service for the period (based on SBCERA's policy of regarding a full year's service as 2087 hours), the Member is credited with 1/2 year of participation for purposes of this subsection.

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3. Disability and Death Benefits

The reduction described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits as provided in the Code.

C. **Reduction for Commencement Before Age 62 For Certain Members**

1. No Reduction For Certain Safety Members

The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains SBCERA or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

2. Reduction For Benefits Commencing Before Age 62

If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit reduced in accordance with Code section 415(b) to its actuarial equivalent using:
  - i. The Applicable Mortality Table; and
  - ii. A 5% interest rate; or
- b. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under SBCERA commencing at age 62, both determined without applying the limitations of this Policy.

3. Probability of Death

No adjustment will be made to the Annual Benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

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4. Death and Disability

The adjustment described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits.

**D. Increase for Commencement After Age 65**

1. Increase For Benefits Commencing After Age 65

If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit increased in accordance with Code section 415(b) to its actuarial equivalent using:
  - i. The Applicable Mortality Table; and
  - ii. A 5% interest rate; or
- b. The Annual Benefit Limit multiplied by the ratio of the annual amount of the adjusted immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under SBCERA at age 65, both determined without applying the limitations of this Policy. For this purpose, the adjusted immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date is the annual amount of such Annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under SBCERA at age 65 is the annual amount of such Annuity that would be payable under the Association to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

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2. Probability of Death

No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.

**E. Minimum Benefit Permitted**

The benefit otherwise accrued or payable to a Member under SBCERA is treated as not exceeding the Annual Benefit Limit if:

1. Minimum Benefit Limit Allowed

The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under SBCERA and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; and

2. Condition

The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

**SECTION III. PARTICIPATION IN MULTIPLE DEFINED BENEFIT PLANS**

**A. Application of Limit to Aggregate Benefits**

If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

**B. Multiple Plan Benefit Limit Coordination**

Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced SBCERA only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.

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#### SECTION IV. MULTIPLE-EMPLOYER PLAN

Employer-provided benefits for the Member attributable to all of the Employers participating in SBCERA are taken into account for purposes of applying the Annual Benefit Limit.

#### SECTION V. GRANDFATHER RULES

##### A. Annual Benefit Limit Equals Accrued Benefit

Notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under SBCERA determined without regard to any amendment made after October 14, 1987.

##### B. Qualified Member

For purposes of this section, the term "Qualified Member" means a Member who first became a Member in SBCERA before January 1, 1990.

##### C. Election

By the enactment of Section 54899 et. seq. of the California Government Code, the "grandfather" election under Code section 415(b)(10) was made for SBCERA and all retirement systems maintained under the CERL.

#### SECTION VI. PURCHASE OF PERMISSIVE SERVICE CREDIT

##### A. General Rule

To the extent a Member is not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to SBCERA to purchase Permissive Service Credit under SBCERA, then the requirements of this Policy will be treated as met only if:

1. The requirements of this Policy are met, determined by treating the accrued benefit derived from all such contributions as an Annual Benefit for purposes of this Policy; or
2. The requirements of SBCERA's Policy governing the limits on annual additions applicable to defined contribution plans are met by treating all such contributions as annual additions.

**B. Permissive Service Credit**

1. Permissive Service Credit Defined

For purposes of this Section, "Permissive Service Credit" means credit:

- a. recognized by SBCERA for purposes of calculating a Member's benefit under the Association;
- b. which such Member has not received under SBCERA; and
- c. which the Member may receive only by making a voluntary additional contribution in an amount determined under SBCERA, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.

Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding subparagraph b of this paragraph, may include service credit in order to provide an increased benefit for service credit which a Member is receiving under SBCERA, but only to the extent not prohibited by PEPRA.

2. Limitation on Nonqualified Service Credit

SBCERA will fail to satisfy the requirements of this Policy if

- a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
- b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under SBCERA.

3. Nonqualified Service Credit

For purposes of paragraph 2 of this subsection, the term "Nonqualified Service Credit" means permissive service credit other than that allowed with respect to:

- a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, a State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit

which was obtained as a result of repayment described in subsection C of this Section);

- b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (a) of this paragraph) of an educational organization described in Code section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed,
- c. Service as an employee of an association of employees who are described in subparagraph (a) of this paragraph; or
- d. Military service (other than qualified military service under Code section 414(u)) recognized by SBCERA.

In the case of service described in subparagraphs a, b or c of this paragraph, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.

Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPPRA, SBCERA will not process such service credit purchase.

4. Trustee-to-Trustee Transfers

In the case of a trustee-to-trustee transfer to the Association to which Code section 403(b)(13)(A) or 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):

- a. the limitations of paragraph 2 of this subsection shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and
- b. the distribution rules applicable under the Code to SBCERA shall apply to such amounts and any benefits attributable to such amounts.

**C. Repayment of Cashouts**

In the case of any repayment of contributions (including interest) to SBCERA with respect to an amount previously refunded upon a forfeiture of service credit under SBCERA or under another governmental plan maintained by a state or local government employer within the State of California, any such repayment shall not be taken into account for purposes of this Policy.

**SECTION VII. DEFINITIONS**

**A. Annual Benefit**

“Annual Benefit” means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section II.A.5, where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this Policy) pursuant to Section II.A.7 to an actuarially equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.

**B. Annual Benefit Limit**

“Annual Benefit Limit” means the limit described in Section II.A.1 of this Policy.

**C. Annuity**

“Annuity” for purposes of this Part does not mean “annuity” as defined in the CERL but instead means a retirement benefit that is payable by SBCERA, as provided in section 415 of the Code.

**D. Annuity Starting Date**

“Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as an Annuity or, in the case of a retirement benefit not payable in the form of an Annuity, the first day on which all events have occurred which entitle the Member to payment under SBCERA.

**E. Applicable Interest Rate**

“Applicable Interest Rate” means the “applicable interest rate” defined in section 417(e)(3)(C) of the Code and shall be such rate of interest determined as of the first month preceding the stability period, which shall be the month containing the

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Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.

**F. Applicable Mortality Table**

“Applicable Mortality Table” means the “applicable mortality table” defined in section 417(e)(3)(B) of the Code.

**G. Employer**

“Employer” means the participating County or other governmental employer that participates or has participated in SBCERA and employs or employed the Member. The term “Employer” also includes any Affiliated Employer. Solely to the extent provided in the Code with respect to public agencies, the term “Affiliated Employer” means all members of a controlled group of an Employer.

**H. Limitation Year**

“Limitation Year” means the calendar year.

**I. Spouse**

Effective June 26, 2013, consistent with Federal tax rules, the term “Spouse” means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term “Spouse” does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

**J. Straight Life Annuity**

“Straight Life Annuity” means an Annuity payable in equal installments for the life of the member and terminating on the Member’s death.

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**INTERNAL REVENUE CODE SECTION 415  
PART B. DEFINED CONTRIBUTION LIMITS (§415(c))**

**SECTION I. PURPOSE AND SCOPE**

In accordance with California Government Code section 31899 et. seq., the rules set forth in this Policy are effective as of August 6, 2015, and reaffirm and clarify the existing practices of the San Bernardino County Employees' Retirement Association ("SBCERA") with respect to the limits on annual additions under Internal Revenue Code section 415(c) (the "Code"). For this Policy, the Code includes United States Department of the Treasury (Treasury) regulations issued under section 415(c). To the extent there is a conflict between this Policy and the Code, the Code governs.

SBCERA may establish reasonable procedures for complying with the limits on annual additions under section 415(c) of the Code that it deems necessary or advisable for complying with applicable tax laws or for administrative purposes.

Capitalized terms used in this Part are defined in Section III. Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

**SECTION II. ANNUAL ADDITIONS LIMITATION**

**A. Annual Additions Limit In General**

Notwithstanding anything to the contrary contained in the Association, the total Annual Additions allocated to a Member's Account under the Association, when added to the Annual Additions allocated to the Member's accounts under all other Aggregated Plans maintained by the Employer or an Affiliate for any Limitation Year, shall not exceed the Maximum Permissible Amount; provided, however, that the limit described in III.G.2 shall not apply to an individual medical benefit account (as defined in section 415(l) of the Code).

**SECTION III. DEFINITIONS**

Solely for purposes of this Policy, the following definitions shall apply:

**A. Account**

"Account" means the separate Member account provided under SBCERA for benefits that are separate and apart from the retirement benefits (Annuity and pension) otherwise provided under the CERL.



**B. Affiliate**

Solely to the extent provided in the Code with respect to public agencies, the term “Affiliate” means all members of a controlled group of an Employer.

**C. Aggregated Plan**

“Aggregated Plan” means any defined contribution plan which is aggregated with SBCERA pursuant to Section III of this Policy.

**D. Annual Additions**

“Annual Additions” means the sum of the following amounts credited to a Member’s Account under SBCERA and any Aggregated Plans for the Limitation Year:

1. Employer contributions allocated to the Member’s Account that is separate and apart from any pension or Annuity benefits provided under the CERL;
2. Employee contributions (after-tax), including mandatory contributions (as defined in section 411(c)(2)(C) of the Code and Treasury regulations issued thereunder), as well as voluntary employee contributions used to purchase permissive service credit (as defined in Code section 415(n)(3)), to the extent such service credit purchase is not prohibited under PEPRA and those amounts are treated as Annual Additions in the year contributed pursuant to Code section 415(n)(1).
3. Forfeitures;
4. Amounts allocated to the Member’s individual medical account (within the meaning of section 415(l)(2) of the Code), which is part of a pension or Annuity plan maintained by the Employer or Affiliate, except that such amounts are not included in Annual Additions for purposes of applying the 100% of compensation limit.

The term “Annual Additions” excludes:

1. Repayments of cash-outs as described in Code section 415(k)(3) (for example, to purchase restoration of an accrued benefit that was lost when employee contributions were previously cashed out) for the Limitation Year in which the restoration occurs;
2. Catch-up contributions made in accordance with Code section 414(v);

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3. Restorative payment described in Treasury regulations section 1.415(c)-1(b)(2)(ii)(C);
4. Excess deferrals that are distributed in accordance with Treasury regulations section 1.402(g)-1(e)(2) or (3);
5. Rollover contributions (as described in Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d) and 457(e)(16) of the Code);
6. Loan repayments;
7. Employee contributions to a qualified cost-of-living arrangement described in Code section 415(k)(2)(B);
8. Employee contributions picked up by the Employer under Code section 414(h)(2);
9. Make-up contributions attributable to a period of qualified military service, as defined in Code section 414(n), with respect to the year in which the contribution is made (but not with respect to the year to which the contribution relates); and
10. Employee contributions to purchase permissive service credit (as defined in Code section 415(n)(3)) to the extent such service credit purchase is allowed under PERA, and the accrued benefit derived from all such contributions is treated as an annual benefit subject to the limits of Code section 415(b).

**E. Employer**

“Employer” means the participating County or other governmental employer that participates or has participated in SBCERA and employs or employed the Member.

**F. Limitation Year**

“Limitation Year” means the calendar year.

**G. Maximum Permissible Amount**

“Maximum Permissible Amount” means the lesser of:

1. \$40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code; or

2. 100 percent of the Member's Total Compensation for the Limitation Year.

#### H. Severance From Employment

"Severance From Employment" means the Member ceases to be an employee of the Employer. A Member does not have a Severance From Employment if, in connection with a change of employment, the Member's new employer maintains SBCERA with respect to the Member.

#### I. Total Compensation

"Total Compensation" means all items of remuneration described in paragraph (1) and excludes all items of remuneration described in paragraph (2), below.

##### 1. Items Included

Total Compensation includes all of the following items of remuneration for services:

- a. A Member's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer and any Affiliate to the extent that the amounts are includible in gross income (or to the extent that amounts would have been includible in gross income but for an election under Code sections 125(a), 132(f)(4), 402(e)(3), 402(m)(1)(B), 402(k), or 457(b)). These amounts include, but are not limited to, bonuses, fringe benefits, and reimbursements, or other expense allowances under a non-accountable plan, as described in Treasury regulations section 1.62-2(c);
- b. Amounts described in Code section 104(a)(3), 105(a), or 105(h), but only to the extent that these amounts are includible in the gross income of the Member;
- c. Amounts paid or reimbursed by the Employer or an Affiliate for moving expenses incurred by a Member, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Member under Code section 217;
- d. The amount includible in the gross income of an Member upon making the election described in Code section 83(b);

- e. Amounts that are includible in the gross income of a Member under the rules of Code section 409A or Code section 457(f)(1)(A), or because the amounts are constructively received by the Member; and
- f. An amount that is excludable under Code section 106 that is not available to a Member in cash in lieu of group health coverage because the Member is unable to certify that he or she has other health coverage; provided, however, that the Employer does not request or collect information regarding the Member's other health coverage as part of the enrollment process for the health plan.
- g. Differential wage payments as defined in Internal Revenue Code section 3401(h)(2).

2. Items Excluded

The following items are excluded from Total Compensation:

- a. Employer contributions (other than elective contributions described in Code sections 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) to a deferred compensation plan (including a simplified employee pension described in Code section 408(k) or a simple retirement account described in Code section 408(p), and whether or not qualified) to the extent such contributions are not includable in the Member's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a deferred compensation plan (whether or not qualified) other than amounts received during the year by a Member pursuant to a nonqualified unfunded deferred compensation plan to the extent includible in gross income;
- b. Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are excludable from the gross income of the Member, and are not salary reduction amounts that are described in Code section 125);
- c. Other items of remuneration that are similar to any of the items listed in a and b, above.

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3. Timing

- a. In order to be taken into account for a Limitation Year, Total Compensation must be paid or made available (or, if earlier, includible in the gross income of the Member) during the Limitation Year. For this purpose, compensation is treated as paid on a date if it is actually paid on that date or it would have been paid on that date but for an election under Code sections 125, 132(f)(4), 401(k), 403(b), 408(k), 408(p)(2)(A)(i), or 457(b)).
- b. In order to be taken into account for a Limitation Year, Total Compensation must be paid or treated as paid to the Member prior to the Member's Severance From Employment with the Employer; provided, however, that Total Compensation includes amounts paid to the Member by the later of 2½ months after Severance From Employment or the end of the Limitation Year if the amounts are regular compensation for services during the Member's regular working hours, compensation for services outside the Member's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation that absent a Severance From Employment would have been paid to the Member while the Member continued in employment with the Employer.
- c. Total Compensation does not include amounts paid after Severance From Employment that are severance pay, unfunded nonqualified deferred compensation, or any other payment that is not described in the preceding paragraph, even if paid within 2½ months, except for:
  - i. Payments to an individual who does not currently perform services for the Employer by reason of Qualified Military Service to the extent that these payments do not exceed the amounts that the individual would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service; and
  - ii. Payments to a Member who is permanently and totally disabled; provided, however that salary continuation applies to all Members who are permanently and totally disabled for a fixed or determinable period. For this purpose, a Member is permanently and totally disabled only if the Member is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which

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can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.

4. Limit

A Member's Total Compensation shall not include compensation in excess of the limitation of Code section 401(a)(17) that is in effect for the calendar year in which such Limitation Year begins.

**SECTION IV. AGGREGATION WITH OTHER DEFINED CONTRIBUTION PLANS**

All defined contribution plans (as defined in section 1.415(c)-1(a)(2) of the Treasury regulations and whether or not terminated) maintained by the Employer or an Affiliate shall be aggregated with the Association, and all plans so aggregated shall be considered as one plan in applying the limitations of this Policy.

**SECTION V. COORDINATION WITH OTHER DEFINED CONTRIBUTION PLANS**

In the event that a Member participates in another defined contribution plan of the Employer or of an Affiliate that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the Member to SBCERA shall be reduced to the extent necessary to avoid exceeding the limitations of this Policy when contributions are aggregated as described above.

**SECTION VI. CORRECTION**

Any excess Annual Additions shall be corrected using the methods specified in guidance promulgated by the United States Secretary of the Treasury describing the procedures for correcting excess Annual Additions under the Employee Plans Compliance Resolution System ("EPCRS") or its successor.



**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

021  
Admin Committee  
Benefits

**Issue No.** 2.0  
**Effective Date:** 08/01/2019  
**Page(s)** 2

By: *Janice Rutherford*  
Chair of the Board

**Subject: DISTRIBUTION RESTRICTIONS**

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**DISTRIBUTION RESTRICTIONS**

**Internal Revenue Code Section 401(a)  
Return To Work And Separation From Service**

**SECTION I. PURPOSE AND SCOPE**

In accordance with California Government Code section 31485, the rules set forth in this Policy are restated effective [Insert Effective Date], and reaffirm, clarify and update the existing practices of the San Bernardino County Employees' Retirement Association ("SBCERA") with respect to the return to work of retired Members in accordance with the Internal Revenue Code (the "Code") and the applicable underlying Treasury Regulations.

To the extent there is a conflict between this Policy and the Code, the applicable federal law will govern. Terms defined in the County Employees Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

**SECTION II. RETURN TO WORK AND BONA FIDE SEPARATION FROM SERVICE**

For purposes of employment with the County of San Bernardino or a participating employer under SBCERA after retirement for service, a Member who has not attained Normal Retirement Age (as established by SBCERA) must have a bona fide separation from service as defined by Code section 401(a) prior to returning to work. If a member who has not attained normal retirement age returns to work without having a bona fide separation from service, his or her SBCERA retirement allowance shall be suspended and active participation in the retirement system shall be reinstated until a bona fide separation from service occurs. A bona fide separation from service is defined as follows:

1. Regardless of the length of Member's separation from service, the Member has not entered into any predetermined agreement (either written or unwritten) prior to retirement with the County or a participating employer under SBCERA to return to work after retirement.

2. Prior to entering into an agreement to return to employment with the County or a participating employer under SBCERA while retired, the Member must have a separation from service of at least the greater of (a) any required separation from service period required under the California Public Employees' Pension Reform Act of 2013 ("PEPRA") or (b) 60 calendar days.
3. The Member may be employed by the County or a participating employer under SBCERA prior to the time in sections 1 and 2 for emergency situations as defined in California Government Code section 8558 and under the PEPRA return to work restrictions.
4. The Member must acknowledge in writing to SBCERA at the time of retirement that the Member has been informed of the requirements set forth in this Policy imposing limitations on post-retirement employment and that no prearrangement to be reemployed while retired exists. The Member must also agree that, if any of the provisions of this Policy regarding bona fide separation from service are violated as determined by the Board of Retirement, the Member's retirement allowance shall be suspended immediately and shall not be reinstated until the Member has a bona fide separation from service or reaches Normal Retirement Age as established by SBCERA, whichever occurs first.
5. This Policy is intended to supplement and be consistent with SBCERA Administration Policy No. 015 (Retirees Returning to Work), and shall be construed in such a manner as is consistent with that intention.





**POLICY NO.** 022 **Issue No.** 1.0  
**Committee:** Admin Committee **Effective Date:** 01/07/2016  
**Policy Category:** Benefits **Page(s)** 2  
*Approved*  
 By: [Signature]  
 Chairman of the Board

**Subject: STANDARD FOR DETERMINING WHETHER A MINOR CHILD IS "REGULARLY ENROLLED" AS FULL-TIME STUDENT**

**STANDARD FOR DETERMINING WHETHER A MINOR CHILD IS "REGULARLY ENROLLED" AS FULL-TIME STUDENT**

**PURPOSE**

The San Bernardino County Employees' Retirement Association (SBCERA) administers death continuance allowances upon the death of any members under Government Code sections 31760.1, 31781.1, 31786 and 31787. In general, if there is no surviving spouse entitled to an allowance, the allowance shall be paid to the member's natural or adopted child or children who are unmarried and under the age of 18 years. The benefits will continue to the children through the age of 21 if the children remain unmarried and are regularly enrolled as full-time students in accredited schools as determined by the Board of Retirement (Board). Therefore, the Board adopts the following standard for determining whether a child is "regularly enrolled" as a full-time student.

**OPERATING CRITERIA**

A child shall be determined to be "regularly enrolled" as a full-time student if:

- 1) He/she was a student during some part of each of **any** five (5) months of the immediately preceding twelve calendar months;

and either of the following:

- 2) He/she was a full-time student at a school with a regular teaching staff, course of study, and a regularly enrolled student body at the school, or
- 3) He/she was a student taking a full-time, on-farm training course given by a school described in (2), or by a state, county, or local government agency.

**DEFINITIONS**

**Full-time student:** A full-time student is a student who is enrolled for the number of hours or courses the school considers to be full-time attendance.

**Accredited school:** A school can be an elementary school, junior or senior high school, college, university, or technical, trade or mechanical school. However, an on-the-job training course, correspondence school, or school offering courses only through the Internet does not count as school.

**RESCINDED BY BOARD on 09/05/2019**



**POLICY NO.** 023  
**Committee:** Administrative  
**Policy Category:** Benefits

**Issue No.** 3.0  
**Effective Date:** 11/07/2019  
**Page(s)** 2

**Approved.**

By: *Jamie Ruthledge*  
Chair of the Board

**Subject: ADJUSTMENT TO THE PENSIONABLE COMPENSATION LIMIT POLICY**

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## **ADJUSTMENT TO THE PENSIONABLE COMPENSATION LIMIT POLICY**

### **I. Purpose**

The purpose of this Policy is to establish a mechanism by which the pensionable compensation limit is adjusted each year for Tier 2 members pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), as amended by Senate Bill No. 13 (SB 13).

### **II. Background**

PEPRA, as amended by SB 13, limits the pensionable compensation used to calculate the defined benefit paid to a Tier 2 member (membership dates on or after January 1, 2013) who retires from the system. The statute specifies the method for calculating the 2013 calendar year pensionable compensation limit (calculated at 120% of the federal Social Security limit for all members except those employed by the Law Library; limits for members employed by the Law Library are set at 100% of the Social Security Limit), and requires subsequent adjustments to the limit be based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average (CPI-U), calculated by dividing the CPI-U for the month of September in the calendar year preceding the adjustment by the CPI-U for the month of September of the previous year, rounded to the nearest thousandth.

To encourage all California public retirement systems to use a uniform pensionable compensation limit, the California Actuarial Advisory Panel (CAAP) issued a non-binding calculation of the adjustment to the pensionable compensation limit for calendar year 2014, which is calculated pursuant to PEPRA, as amended by SB 13. CAAP also intends to provide the calculation adjustment to California public retirement systems, including SBCERA, in future years.

### **III. Guidelines**

- A. SBCERA will use the CAAP calculation to provide for a uniform adjustment to the pensionable compensation limit on an annual basis, based on the following:

- i. SBCERA recognizes the CAAP is an advisory organization only; therefore, the Chief Executive Officer (CEO) or designee is required to independently evaluate the CAAP calculation and concur with it.
- ii. If the CEO or designee concurs with the CAAP calculation, the adjusted limit will be used, in compliance with PEPRA, as amended by SB 13. No Board action will be required to implement the CAAP derived limit.
- iii. If the CEO or designee does not concur with the CAAP calculation, the CEO shall notify the Board, and recommend an appropriate limit for the Board's approval.
- iv. The CEO or designee will report to the Board the CAAP calculated adjustment to the pensionable compensation limit on an annual basis, either by written communication or as an informational item at a Board meeting.

#### **IV. Process Review**

The Board shall review this Policy if CAAP no longer provides their annual adjustment letter to SBCERA to ensure that the policy remains relevant and appropriate.



**POLICY NO.** 024 **Issue No.** 2.0  
**Committee:** Admin Committee **Effective Date:** 01/09/2020  
**Policy Category:** Benefits **Page(s)** 4  
**Approved**

By Jamie Puthart  
Chair of the Board

**Subject: BENEFITS ADMINISTRATION PROCEDURES**

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## **BENEFITS ADMINISTRATION PROCEDURES**

### (1) Benefit Payments

Benefit payments are made monthly. For members retiring after March 6, 2003, benefit payments will be made via electronic fund transfers only. Involuntary deductions shall not reduce a benefit payment to less than 50% of the gross amount, unless required by law.

### (2) Cost-of-Living Adjustments

(a) Pursuant to Government Code section 31874, the San Bernardino County Board of Supervisors, through San Bernardino County Ordinance 2764, approved an annual cost-of-living adjustment for every retirement allowance, optional death allowance or annual death allowance, not to exceed 2% per year in accordance with the provisions of Government Code section 31870, effective April 1, 1984.

(b) Pursuant to Article 16.6 of the 1937 Act, the San Bernardino County Board of Supervisors, through San Bernardino County Ordinance 2019, approved a non-compounding cost-of-living adjustment of 7% for all retired members who were members on or before August 18, 1975.

### (3) Errors and Omissions

(a) SBCERA shall comply with Government Code sections 31525 and 31539 for the purposes of payments into or out of the retirement fund for adjustments of errors or omissions.

(b) If an incorrect payment is made due to lack of information or inaccurate information regarding the eligibility of a member, former member, beneficiary, or annuity beneficiary to receive benefits, the period of limitation shall commence with the discovery of the incorrect payment.

(c) Notwithstanding any other provision of this section, if an incorrect payment has been made on the basis of fraud or intentional misrepresentation by a member, beneficiary, annuity beneficiary, or other party in relation to or on behalf of a member, beneficiary, or annuity beneficiary, then the Board may commence an action up to 10 years from the date of the payment or upon discovery of the facts, fraud, or

intentional misrepresentation, whichever is later.

(d) Collection for Overpayments – less than \$50.

The Board believes that considerations of cost effectiveness make it prudent and reasonable to pursue recovery of overpayments only where the cumulative total amount overpaid to the Member is \$50 or more. Accordingly, the CEO is authorized to not seek recovery of any overpayments where the total amount overpaid to the Member is less than \$50.

(e) Collections for Overpayments of \$50 or More – Recipient Receiving an On-Going Benefit:

(i). If the recipient is receiving an on-going benefit and the Board, system, or employer error caused an overpayment in a benefit, then the Board may collect from the recipient's on-going benefit up to 10% of the gross monthly benefit (unless this percentage-based payment collection would result in a payment schedule longer than five (5) years), until all prior overpayments have been reimbursed to the Board.

(ii) If the recipient is receiving an on-going benefit and the member/recipient error caused the overpayment in a benefit, then the Board may collect from the recipient's on-going allowance up to 20% of the gross monthly benefit (unless this percentage-based payment collection would result in a payment schedule longer than five (5) years), until all prior overpayments have been reimbursed to the Board.

Notwithstanding (i) or (ii) above, the CEO has the discretion to set up a contract or repayment plan from the recipient's on-going benefit, allowing payment terms of up to five (5) years, or through a lump-sum payment to fully satisfy the overpayment amount.

(f) Collections for Overpayments of \$50 or More – Recipient Received a Lump Sum:

(i). If the recipient is not receiving an on-going benefit and has received an overpayment in a lump sum benefit of up to \$25,000, then the CEO or designee shall have authority pursuant to Article I, section (2) of these By-laws to take action to recover the overpayment.

(ii). If the recipient is not receiving an on-going benefit and has received an overpayment in a lump sum benefit of more than \$25,000, then the CEO or designee may pursue collection efforts after consultation with and concurrence by the Board.

(g) Recipient, defined:

For the purposes of this policy, a "recipient" shall include but not be limited to the following person(s): a member, retired member, surviving spouse, child, beneficiary, domestic relations order (DRO) recipient, non-member, or any other person receiving an ongoing benefit.

(h) Collections, General:

Staff may pursue all legal remedies to collect overpayments, including making a claim on an estate or trust, if appropriate. Upon the death of the Member before full repayment has been made, SBCERA shall pursue a claim or claims against the Member's estate, survivors, heirs and/or beneficiaries to recover the unpaid amounts.

(5) Normal Retirement Age

For purposes of applying the Pension Protection Act of 2006 and complying with other applicable tax-related law, such as the in-service distribution rules, the "normal retirement age" for SBCERA general members is the later of 55 years of age or the member's age when the member would otherwise vest for purposes of benefit payment, and the "normal retirement age" for SBCERA safety members is the later of 50 years of age or the member's age when the member would otherwise vest for purposes of benefit payment. In addition, normal retirement age shall not be later than 70 years of age. The normal retirement age for each class of membership (General and Safety) is based on the average age at the time of retirement, as determined by SBCERA's actuary and has been determined by the Board to be reasonably representative of the typical retirement age for California public employees similarly situated. The Board may periodically review and change the normal retirement age of its members based on this criteria as deemed necessary by the Board, or based on any other criteria established by the Internal Revenue Code, Treasury Regulation, or other applicable law.

For purpose of this Article, "Safety member" shall mean employees who, immediately prior to retirement, were employed as a Safety member and were eligible for retirement allowance from SBCERA as a safety member pursuant to the County Employees' Retirement Law of 1937. "General member" shall mean all other SBCERA members.

(6) Bona Fide Separation from Service

(a) In order to comply with federal tax law restriction on in-service distributions, a member who retires at an age younger than the "normal retirement age," as defined herein, may not enter into a prearrangement, either oral or written, prior to

the date the member's retirement commences, to be reemployed while retired by any SBCERA employer, regardless of the length of the member's break in service after retirement. A member who retires at an age younger than the normal retirement age, as defined herein, also must have at least a continuous 60-day break in service from the date of the member's last day of employment prior to being reemployed while retired by any SBCERA employer. A "break in service" is defined as separation from employment in any and all positions held with an SBCERA employer, including but not limited to extra help under the "960 hour" provisions of the '37 Act, seasonal, temporary, part-time, reserve, independent contractor, and paid-call positions.

(b) The member must acknowledge in writing to SBCERA at the time of retirement that the member has been informed of the requirement set forth in this section imposing limitation on post-retirement employment and that no prearrangement to be reemployed while retired exists. The member must also agree that, if any of the provisions of this section regarding bona fide separation from service are violated as determined by the Board, the member's retirement allowance shall be suspended immediately and shall not be reinstated until the member has a bona fide separation from service or reaches normal retirement age, whichever occurs first.

(7) Board Determinations

Pursuant to section 31542 of the CERL, those pay items determined by the Board to be "compensation earnable" or "pensionable compensation" shall be so treated in determining benefit amounts pursuant to a member's application for retirement, unless it appears that the item was included for the purpose of enhancing the member's benefit. In such case, the CEO or designee shall inform the member in writing of the determination to exclude the item and explain the reasons for that determination, and the member shall have the right to a review of that determination pursuant to Board Benefits Policy No. 025 – Requests and Appeals for Pension Benefits.





**POLICY NO.** 025 **Issue No.** 2.0  
**Committee:** Admin Committee **Effective Date:** 11/07/2019  
**Policy Category:** Benefits **Page(s)** 2  
**Approved**

By: Jamie Ruthabe  
Chair of the Board

**Subject: REQUESTS AND APPEALS FOR PENSION BENEFITS**

**REQUESTS AND APPEALS FOR PENSION BENEFITS**

1. General Instructions. Requests for the award or change of any pension benefit, other than disability benefits, should begin with the member addressing the request, in writing, to the Chief Executive Officer (CEO) or designee.
2. Initial Determination. The CEO or designee shall provide a written determination of the member's request that either approves or denies the request. For any request the CEO denies, the member shall have 30 days to submit a request to appeal the CEO's determination.
3. Board Adoption of Initial Determination. In the event the member fails to appeal the CEO's determination, then the CEO's determination will be placed on the Board's next consent agenda with a recommendation to adopt the CEO's determination. The Board's adoption of the CEO's determination shall be final. Staff will provide a summary of the determination to the member prior to the Board's decision.
4. Member Appeal of Initial Determination. The member may request to appeal the CEO's denial to the SBCERA Board. As part of the written appeal request, the member may submit additional documentation, including affidavits, to the CEO or designee within thirty (30) days after the date upon which the recommendation was sent to the member.
5. Board Hearing of Appeal. Thirty (30) days from receipt of the member's written appeal, the member's appeal shall be placed on the agenda at the next regularly scheduled SBCERA Board meeting. The CEO or designee will provide copies of the member's written request for benefits, staff recommendation and supporting documentation, along with any additional documentation from the member to the Board. The member may attend the Board meeting and may address the issue consistent with the Board's policies on public comment, which may be modified in such instances in the sole discretion of the Board Chair, prior to the Board's decision on the matter.
6. Board Decision Upon Hearing Appeal. A decision by the Board is final unless the Board refers the matter to an Administrative Hearing as governed by *Procedures for Disability Retirement Applications and Formal Hearings*.

**POLICY: Requests and Appeals For Pension Benefits**  
**Page 2**

Judicial review of final retirement decisions shall be subject to the Code of Civil Procedure Section 1094.6. Following final decision on disputed matters, the CEO or designee shall send to the member written notice as follows:

“Pursuant to the Board's Benefits Policy No. 025 – Requests and Appeals for Pension Benefits, action to seek judicial review of this decision is governed by the provisions of Section 1094.6 of the Code of Civil Procedure of the State of California. You are advised that any such petition must be filed not later than the ninetieth (90th) day following the date a decision becomes final.”



**POLICY NO.** 026 **Issue No.** 2.0.1  
**Committee:** Admin Committee **Effective Date:** 03/07/2019  
**Policy Category:** Benefits **Page(s)** 1  
**Approved** By: Janice Ruthford  
Chair of the Board

**Subject: COMPENSATION EARNABLE AND PENSIONABLE COMPENSATION**

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**COMPENSATION EARNABLE AND PENSIONABLE COMPENSATION**

(1) Basis Of Contributions/Benefits: The amount upon which appropriate member contribution rates are applied or upon which retirement benefits are calculated shall be based upon compensation earnable or pensionable compensation, as applicable, as determined by the Board of Retirement (Board) in a manner consistent with applicable law. The Board will coordinate pay code items included in compensation earnable or pensionable compensation, as applicable, with each of the Employers who are members of the system.

(2) Compensation Earnable (Definition): For purposes of calculating retirement benefits for Tier 1 members, "compensation earnable" means that term as defined by Government Code section 31461 or such other statute as may become applicable.

(3) Pensionable Compensation (Definition): For purposes of calculating retirement benefits for Tier 2 members, "pensionable compensation" means that term as defined by Government Code section 7522.34 or such other statute as may become applicable.

(4) Quarterly, the Board shall, adopt and revise a resolution designating which employer pay items, for each participating plan sponsor, shall be included in "compensation earnable" and "pensionable compensation," as applicable. Prior to the adoption or amendment of such resolution, the Chief Executive Officer (CEO) or designee shall request, and each participating plan sponsor shall provide, a copy of its publicly available pay schedule identifying all such pay items in sufficient detail to permit SBCERA to determine whether such items will be considered "compensation earnable" or "pensionable compensation," as applicable. Upon receiving such pay schedules or other information about such pay items, the Chief Counsel in consultation with the CEO or designee shall initially determine whether such items will be considered "compensation earnable" or "pensionable compensation," as applicable, which determination shall be effective immediately, and subject to ratification by the Board as provided in this paragraph.



**POLICY NO.** 027      **Issue No.** 2.0  
**Committee:** Admin Committee      **Effective Date:** 01/09/2020  
**Policy Category:** Benefits      **Page(s)** 4  
**Approved**

By: Janis Puthart  
Chair of the Board

**Subject: CONTRIBUTIONS**

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**CONTRIBUTIONS**

(1) Member Contributions

Member contributions shall be deducted from each salary or wage warrant drawn in favor of each member for each pay period. The pay period shall be as determined by the Board of Supervisors or District governing body.

(2) Withdrawal of Contributions and Deposits

(a) For the purpose of determining eligibility to withdraw accumulated contributions pursuant to Government Code section 31628, service shall not be considered to have been discontinued if:

(i) Prior to termination of employment the member entered into an agreement with a County of San Bernardino or District appointing authority to be appointed to the same or another regular position in the same or next succeeding payroll period and is so appointed, or

(ii) Termination of employment was for the purpose of establishing eligibility to withdraw accumulated contributions and the member is appointed to the same or another regular position in the County of San Bernardino or District service in the same or next succeeding payroll period.

(b) Withdrawal Charge

A withdrawal charge of one-half of interest credited to members account, not to exceed \$40.00, may be charged at the time members withdraw their accumulated contributions as provided for in Government Code section 31628 or such other law as may become applicable.

(3) Redeposit of Contributions Withdrawn

(a) An active member (and certain deferred members) may redeposit withdrawn contributions in the retirement fund. The redeposit can be made at any time prior to retirement but must be in an amount equal to all of the accumulated normal contributions he or she has withdrawn, plus regular interest thereon from the date of separation from SBCERA to the date the redeposit is complete. Such redeposit may be made by lump-sum payment or by after-tax payroll deductions over a period of not to

exceed 60 months (unless otherwise authorized or required by applicable law). If the redeposit is made through payroll deductions, in no event shall such payroll deduction be less than \$50.00 per month. All redeposits, regardless of method of repayment, must be completed within 120 days after the member's effective retirement date.

(b) When the entire redeposit amount is timely satisfied, the member shall receive credit for the same amount of service credit as was represented by the withdrawal. Such redeposited contributions shall be non-refundable unless the member terminates and withdraws all his or her member contributions. If the member withdraws his or her member contributions, he or she will no longer be entitled to credit in the Association for the service attributable to the withdrawn contributions.

(c) Credit for service represented by the withdrawn amount shall not be credited to a member if the entire redeposit amount is not timely satisfied.

(d) If the member redeposits more than the amount required by the date stated in his or her redeposit agreement, SBCERA shall refund the overpayment amount to the member.

(4) Acceptance of Plan-to-Plan Transfers and Direct Rollovers for Service Credit Purchases

(a) To the extent authorized by federal and state law and the San Bernardino County Board of Supervisors or governing body of a District, the Association shall accept funds from a 401(k) plan or 457(b) plan sponsored by the County of San Bernardino or participating District to satisfy a service credit purchase a member is permitted by law to make. The amount transferred through a plan-to-plan transfer or direct rollover from the applicable 401(k) plan or 457(b) plan shall not exceed the amount required for the service credit purchase. Further, all transfers and rollovers must be timely made in the form and manner established by the Chief Executive Officer (CEO). If a transfer or rollover is not made in accordance with the form and manner established by the CEO, it may be voided in accordance with subparagraph (b) below. No transfer or rollover shall be accepted if it does not comply with applicable federal tax laws.

(b) True-Up of Plan-to-Plan Transfers and Direct Rollovers

(i) Effective February 1, 2003, SBCERA will apply applicable interest on plan-to-plan transfers and direct rollovers from a 401(k) plan or 457(b) plan based upon the date in which the funds were effectively received by the Association and the agreed upon date of transfer or rollover in the member's purchase agreement.

(ii) If the member does not complete the plan-to-plan transfer or rollover by the date required by his or her service credit purchase agreement, the CEO or

CEO's designee shall, as soon as reasonably possible inform the member of the amount owed to complete the purchase agreement. The member will have 30 days to complete the service credit purchase by plan-to-plan transfer or direct rollover. If the total transfer or rollover amount needed to complete the purchase is not received by the Association within 30 working days after the date the CEO or CEO's designee notifies the member of the outstanding amount owed, then the purchase will be voided and treated as never having occurred. In such event, all of the transferred or rolled over funds will be returned to the same transferring plan that the funds were originally received from.

(c) Contracts entered into by the member for purchases of service credit are irrevocable and payments made thereunder are nonrefundable pursuant to applicable federal tax laws. Purchases of service credit must be completed prior to the member's retirement. All balances must be fully paid within 120 days after the member's effective retirement date. If the member does not pay the remaining amount owed for the purchase, the CEO or designee shall, as soon as practicable, inform the member that the purchase agreement is subject to proration of the original amount of service credit based on the amount of funds actually received, and the member's account shall be adjusted accordingly.

(d) If the member pays more than the amount owed for the purchase by the date required in the purchase agreement, SBCERA will immediately return the entire amount directly to the transferring plan and request such plan transfer the exact amount required to complete the purchase.

(5) Under-Payment of Member Contributions

The amount of any under-payment of member contributions must be repaid to the Association prior to retirement through the employer's payroll system. Such repayment must include interest. If the under-payment of member contributions is discovered at or after termination of service, the amount of the under-payment (plus interest) will be deducted from the member's monthly retirement check.

Staff may pursue all legal remedies to collect underpayments, including making a claim on an estate or trust, if appropriate.

(6) Over-payment of Member Contributions

Any overpayment of member contributions made on a pre-tax basis will be returned to the member by the Association as soon as administratively feasible. The return of excess member contributions is a taxable event reportable to the IRS on Form 1099.

(7) Agent for the Employer

In the collecting, withdrawing, redepositing, and returning of member contributions, whether for mandatory or permissive member contributions, the Association is acting as an agent for the member's employer in arranging for the collection of member contributions (and redeposits) that are made through the employer's payroll system.

(8) Subsequent Election of Retirement System Coverage

If service credit or prior service credit is credited under Government Code Section 31648, the member must pay the amount owed (equal to the member contributions that would have been made had membership begun as of the date he or she began their County (or District) employment, plus regular interest) into the retirement fund within a one year period, or if longer, a period of time equal to the length of service the deposit represents. However, the payment period shall not exceed five years and the entire obligation amount must be satisfied before the member's retirement application is filed.



POLICY NO. 028  
Committee Board  
Policy Category: Benefits  
Approved.

Issue No. 1.0  
Effective Date: 12/06/2018  
Page(s) 3

Chair of the Board

**Subject: PROCESSING SBCERA EMPLOYEES AND TRUSTEES AND THEIR IMMEDIATE FAMILY MEMBERS DISABILITY RETIREMENT APPLICATIONS AND RELATED APPEALS**

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**PROCESSING SBCERA EMPLOYEES AND TRUSTEES AND THEIR IMMEDIATE FAMILY MEMBERS DISABILITY RETIREMENT APPLICATIONS AND RELATED APPEALS**

**PURPOSE**

The Board of Retirement (Board) has a fiduciary duty to ensure all disability retirement applications are kept confidential and receive a fair and impartial review. The Board also has a duty to ensure all recommendations submitted to the Board are based solely on the facts in evidence and free of any bias.

The Board recognizes that staff routinely takes great steps to ensure all member information is kept confidential and all disability retirement cases are processed with the utmost professionalism. However, in situations where the applicant is a SBCERA employee, Trustee, or an immediate family member of either, it is prudent to take additional precautionary steps to maintain confidentiality and a bias free review to avoid any appearance of impropriety.

This policy will provide direction to staff on how applications from a SBCERA employee or Trustee or their immediate family member shall be processed and presented to the Board for a decision.

**I. Statement of Policy**

All SBCERA members deserve to have their application for a disability retirement processed in a confidential manner based solely on the factual evidence pertaining to their disability. Applications or appeals from a SBCERA employee or Trustee (Internal) or an immediate relative (Internal-Related) (defined as a spouse, ex-spouse, child, sibling, mother, or father) require additional processing precautions to ensure the member's confidentiality is maintained and any appearance of potential bias is mitigated.



## **II. Implementation**

The Board directs the Chief Executive Officer (CEO), or designee, to process these applications or appeals, in the following manner:

- A. All SBCERA employees will maintain strict confidentiality of the medical records and applications of affected SBCERA employees, Trustees, and immediate family members as required by Government Code section 31532 and SBCERA Administrative Board Policy 008.
- B. The CEO or designee shall ensure that all SBCERA employees processing these disability applications or appeals are made aware of their responsibility to maintain confidentiality of member medical records.
- C. All Internal and Internal-Related disability applications or appeals shall be processed in accordance with all applicable provisions of the County Employees Retirement Law of 1937, Board of Retirement Regulations and Board Policies, including the Procedures for Disability Retirement Applications and Formal Hearing ("Procedures") in effect at the time of receipt.
- D. The CEO or designee shall ensure that all SBCERA employees processing Internal or Internal-Related disability applications or appeals are free of bias towards the member or the family member involved. In that event, the CEO will allow the processing of any disability application or appeal by an SBCERA employee who is free of any bias.
- E. In the alternative, the CEO will determine whether it is impossible for the appropriate SBCERA employees to process the affected disability application or appeal without bias. In that case, at the discretion of the CEO or designee, will recommend that the disability application or appeal be transferred for processing and adjudication to a 1937 Act pension that has a reciprocal agreement for the processing and the adjudication of Internal or Internal-Related applications or appeals.

Prior to adjudicating an application or appeal for disability retirement benefits, the Board Chair shall query the Board as to whether any member has a conflict-of-interest regarding economic interests or whether any member is unable to be fair and impartial with regard to the adjudication of an Internal or Internal-Related application.

- A. Any Board member that has an economic conflict-of-interest or who cannot be fair and impartial will declare their conflict or their inability to be fair and impartial on the record and leave the Board room during the consideration of the disability application
- B. If the remaining Board members do not constitute a quorum, then the Chairman will direct the CEO to transfer the adjudication of the disability application to a 1937 Act pension that has a reciprocal agreement for the adjudication of Internal or Internal-Related applications.



**POLICY NO.** 029  
**Committee:** Admin. Comm.  
**Policy Category:** Benefits  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 09/05/2019  
**Page(s)** 2

By:   
Chair of the Board

**Subject: Standard for Determining the Eligibility of a Continuance for a Survivor Benefit**

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**STANDARD FOR DETERMINING THE ELIGIBILITY OF  
A CONTINUANCE FOR A SURVIVOR BENEFIT**

**PURPOSE**

The San Bernardino County Employees' Retirement Association (SBCERA) administers survivor continuance allowances pursuant to the County Employees' Retirement Law of 1937 (CERL) upon the death of members. In general, if there is no surviving spouse entitled to an allowance or there is a surviving spouse caring for one or more children, the allowance shall be paid to an eligible surviving beneficiary so long as the child or children are unmarried and under the age of 18 years, (although pursuant to certain statutes the child may be 18). In all cases, with the exception of child who became totally disabled prior to reaching 18 years of age (Article 15.6), the benefits will continue to a child up to the date of the child's 22<sup>nd</sup> birthday if the child remains unmarried and is regularly enrolled as a full-time student in an accredited school as determined by the Board of Retirement (Board). Therefore, the Board adopts the following standard for determining the continuance of a survivor benefit.

**OPERATING CRITERIA**

In all cases, including a benefit paid to a surviving spouse, who is caring for surviving child(ren), a child must be:

1. Unmarried at the time of the death of the member and as required by statute, must remain unmarried in order to receive a continuation of any benefit. This requirement does not apply to lump sum distributions of contributions or burial benefits when the child is a nominated beneficiary of the member.
2. Notwithstanding the statutory age requirement of a minor child(ren) to commence receiving a survivor and/or survivorship, a child over 18 must be regularly enrolled as a full-time student in an accredited school as of the date of the member's death.
3. As used herein, an accredited school includes an institution of learning that is accredited by an agency, whose determination concerning the institution's accreditation is accepted by a local, state, or federal

government. On the job training courses shall not be considered to fall within the definition of an accredited school. In cases of doubt, the Board reserves the right to determine whether a school is accredited based upon the information provided by the surviving child.

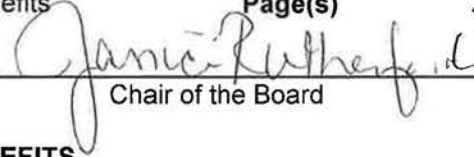
4. A child shall be determined to be regularly enrolled as a full-time student if he or she remains continuously enrolled in the number of units or courses required to be considered a full-time student by the accredited school in which the child is enrolled. Full-time enrollment is for the accredited school's school year calendar.
5. A break in enrollment for regular summer or term breaks shall not be considered a break in full-time enrollment, as long as the child returns to a full-time course schedule upon the commencement of the next regular term of the accredited school. Courses taken on-line or via correspondence may be counted toward full-time enrollment as long as such courses are taken through an accredited school.
6. The recipient or guardian must certify every six months that the child is unmarried and is a full-time student enrolled in an accredited school. In the event, the certification is not received within appropriate timeframe, the benefit shall be suspended and/or cancelled.
7. Pursuant to Article 15.6 of the CERL, a child, any age, who is totally disabled, and became totally disabled before reaching 18 years of age, is exempt from the requirement of enrolling as a full-time student in an accredited school.



**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

030  
Admin Committee  
Benefits

**Issue No.** 1.0  
**Effective Date:** 03/07/2019  
**Page(s)** 2

By:   
Chair of the Board

**Subject: RECIPROCAL DISABILITY RETIREMENT BENEFITS**

**RECIPROCAL DISABILITY RETIREMENT BENEFITS**

**BACKGROUND:**

The member on deferred status who retires concurrently from SBCERA and a reciprocal retirement system, with a service-connected disability retirement, is entitled to a retirement benefit as calculated under Government Code sections 31837(3) and 31838.5.

Section 31837(3) provides that when a deferred member retires with service-connected disability benefits from a reciprocal public pension, then SBCERA shall pay the member “*an annuity which is the actuarial equivalent of the member’s accumulated contributions.*”

However, the calculation of benefits is further limited by section 31838.5. Section 31838.5 states that a member with reciprocal benefits from another public pension plan cannot receive benefits from SBCERA that when combined with the benefits of the other pension fund would result in a disability allowance greater than the amount the member would have received had the member’s service been in only one entity.

The court in the case of *Block v. Orange County Employees’ Retirement System*, (2008) 161 Cal.App.4th 1297, extensively reviewed and upheld section 31838.5. The court in *Block*, at 1316, found that the term *disability allowance*, as used in section 31838.5, referred to *all retirement benefits received for retirement due to disability, including service retirement*, which is consistent with the purposes of the CERL reciprocity provisions.

So in the case where a retired member is receiving the *full* disability retirement benefits from a reciprocal public pension plan, then SBCERA will not pay any other benefits to the member, including, but limited to, service retirement benefits or accumulated contributions, as such additional amounts would be in excess of the annuity payment described in section 31837(3), and would be inconsistent with section 31838.5 and the court’s opinion in the *Block* case.

The Board notes that to pay out additional retirement benefits not specifically authorized under the terms of the plan document is inconsistent with a basic and foundational principle in the *Internal Revenue Code* that a public pension plan must follow the terms of its governing plan document and only the terms of its governing

**POLICY: Reciprocal Disability Retirement Benefits**

**Page 2**

plan document; and, if a public pension plan takes any action with employee money not specifically authorized under the terms of the plan document, then the pension fund can lose its tax-qualified status. This principle is stated repeatedly by the IRS in various places including: Revenue Procedure 2008-50, section 5.01, Revenue Procedure 94-62, PLR 87-52001, and Revenue Ruling 70-315.

**POLICY:**

The member on deferred status who retires concurrently from SBCERA and a reciprocal retirement system, with a service-connected disability retirement, is entitled to a retirement benefit as calculated under Government Code sections 31837(3) and 31838.5, and is entitled to no other retirement benefit, including, but not limited to, service retirement benefits or the return of accumulated contributions.



**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

031  
Admin Committee  
Benefits

**Issue No.** 1.0  
**Effective Date:** 08/01/2019  
**Page(s)** 49

By: *Jamie Rutherford*  
Chair of the Board

**Subject: TAX COMPLIANCE**

**SECTIONS**

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## **TAX COMPLIANCE**

This Policy is intended to ensure that the San Bernardino County Employees' Retirement Association ("SBCERA" or "Association") is in compliance with applicable Internal Revenue Code ("Code") and the United States Treasury Department Income Tax Regulations ("Treas. Regs."). The rules set forth in this Policy are restated effective August 1, 2019, and affirm and clarify SBCERA's existing practices with respect to certain tax qualification rules applicable to governmental pension plans as defined by Code § 414(d). Namely, this policy covers SBCERA's provisions and procedures regarding the compensation limits under Code § 401(a)(17), the annual benefit limits under Code § 415, the rollover rules under Code § 402(c) and the required minimum distributions rules under Code § 401(a)(9).

For purposes of this Policy, any reference to the Code means the applicable Code section(s) and the underlying Treasury Regulations.

To the extent there is a conflict between the terms of this Policy and the Code or Treas. Regs., the applicable federal rules will govern.

SBCERA may establish reasonable procedures that it deems necessary or desirable for complying with the Code or for administrative purposes.

### **I. INTERNAL REVENUE CODE SECTION 401(a)(17): COMPENSATION LIMIT**

#### **A. In General**

The annual amount of compensation that is taken into account in determining all benefits provided by SBCERA to affected Members for any year, which is referred to in the CERL and in this Policy as "Compensation Earnable," as defined under CERL section 31461 for members who are not subject to the limitations on compensation for "new members" used for determining retirement benefits under the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), and referred to as "Pensionable Compensation" for members who are considered "new members" and subject to the PEPRA limit on compensation under California Government Code section 7522.10 and 7522.34 shall in no event be greater than the amount allowed by Code section 401(a)(17).

The Annual Compensation Earnable and Pensionable Compensation Limit may be adjusted annually by the Internal Revenue Service for cost of living changes in accordance with the Code.

This limit is called the Annual Compensation Earnable and Pensionable Compensation Limit in this Policy.



1. Members Affected By the Annual Limit

a. Initial SBCERA Membership Prior to July 1, 1996

The Annual Compensation Earnable and Pensionable Compensation Limit does not apply to any individual who first became an SBCERA Member prior to July 1, 1996. Such Members shall be referred to as "Grandfathered Annual Compensation Earnable Members."

An individual's original membership date into SBCERA will be used regardless of whether the Member terminated and resumed participation in SBCERA at a later date.

b. Initial SBCERA Membership On and After July 1, 1996

In accordance with California Government Code section 31671, the Annual Compensation Earnable and Pensionable Compensation Limit shall apply to all individuals who first become Members of the Association on or after July 1, 1996.

**B. Operational Rules, In General**

The Annual Compensation Earnable and Pensionable Compensation Limit described in this Policy applies to all Members except Grandfathered Annual Compensation Earnable Members.

1. Limited Compensation Earnable and Pensionable Compensation

All Compensation Earnable or Pensionable Compensation that would be taken into account for determining benefits provided by SBCERA is subject to the Annual Compensation Earnable and Pensionable Compensation Limit. Such Compensation Earnable or Pensionable Compensation is not limited to salary or to base salary.

2. Benefits Affected by the Limit

The Annual Compensation Earnable and Pensionable Compensation Limit applies to the determination of all benefits provided by the Association including pensions, annuities, retirement allowances, death benefits, disability benefits, refunds and withdrawals that are determined by member contributions (including such contributions that are or may have been in the past "picked up" by the employer) and earnings thereon.

3. Compensation Earnable or Pensionable Compensation from More Than One Employer

If Compensation Earnable or Pensionable Compensation from more than one employer that participates in SBCERA is taken into account in determining a Member's benefits, the Annual Compensation Earnable and Pensionable Compensation Limit shall apply separately to the Compensation Earnable or Pensionable Compensation from each employer. For example, if the Compensation Earnable and Pensionable Compensation Limit is \$280,000 for the 2019 year and the Member has Compensation Earnable of \$200,000 from one participating employer and \$100,000 from another participating employer, the unreduced total Compensation Earnable from each employer may be taken into account. Similarly, if the Compensation Earnable and Pensionable Compensation Limit is \$280,000 for the 2019 year and the new member has Pensionable Compensation of \$200,000 from one participating employer and \$100,000 from another participating employer, while the new member's benefit would not be limited by the Compensation Earnable and Pensionable Compensation Limit, the PEPRRA compensation limit of Government Code section 7522.10 would apply to limit the amount that can be credited under the Association to \$124,180 (if participating in Social Security) or \$149,016 (if not participating in Social Security).

The Annual Compensation Earnable and Pensionable Compensation Limit does not apply to the aggregate of Compensation Earnable or Pensionable Compensation earned from all employers that participate in the Association.

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4. Proration for Short Plan Year

If a plan year consists of fewer than 12 months, the Annual Compensation Earnable and Pensionable Compensation Limit is an amount equal to the otherwise applicable Annual Compensation Earnable and Pensionable Compensation Limit multiplied by a fraction, the numerator of which is the number of months in the short plan year, and the denominator of which is 12. No proration is required for participation of less than a full plan year.

5. Reciprocity and New Membership in the Association

An individual who becomes a Member of SBCERA on or after July 1, 1996, and who has reciprocity with another public sector retirement plan nevertheless is a new Member of SBCERA for purposes of the Code. Membership prior to July 1, 1996 in another retirement plan with which SBCERA has reciprocity does not bestow Grandfathered Annual Compensation Earnable Membership to the SBCERA Member for purposes of the Annual Compensation Earnable and Pensionable Compensation Limit.

6. Reciprocity and Prior Membership In the Association

A Grandfathered Annual Compensation Earnable Member of SBCERA, who terminates employment with an SBCERA participating employer retains his or her Grandfathered Annual Compensation Earnable Member status. Therefore, if the Grandfathered Annual Compensation Earnable Member established reciprocity between another public sector retirement plan and SBCERA, the Grandfathered Annual Compensation Earnable Member's Compensation Earnable or Pensionable Compensation that is earned under the other plan shall be taken into account by SBCERA in accordance with the rules of reciprocity and that Compensation Earnable or Pensionable Compensation shall not be limited by the Annual Compensation Earnable and Pensionable Compensation Limit with respect to his or her SBCERA benefit.

7. Relationship Between Internal Revenue Code Section 415 Limit and Annual Compensation Earnable and Pensionable Compensation Code Section 401(a)(17) Limit

The limits of Internal Revenue Code section 415 and Code section 401(a)(17) are separate and independent. Each limit is operated according to its own rules and applies separately. Therefore, the Annual Compensation Earnable and Pensionable Compensation Limit may apply to

a Member and the Code section 415 limit may not apply. Similarly, the Code section 415 limit may apply to a Member and the Annual Compensation Earnable and Pensionable Compensation Limit may not apply. Both limits may also apply to the same Member.

8. Effect of Annual Compensation Earnable and Pensionable Compensation Limit on Member Contributions

Because Member contributions are the basis for benefits provided by SBCERA, Member contributions shall not be made on Compensation Earnable or Pensionable Compensation in excess of the Annual Compensation Earnable and Pensionable Compensation Limit. To the extent the provisions of PEPRA, including Government Code Section 7522.10 include greater limitations on the manner in which Member contributions may be calculated, such limits shall apply to the calculation of Member contributions.

9. General Plan Year Rule for Determining the Limit

If Compensation Earnable or Pensionable Compensation for any prior plan year is taken into account in determining a Member's benefits for the current plan year, the Compensation Earnable or Pensionable Compensation for such prior plan year is subject to the applicable Annual Compensation Earnable and Pensionable Compensation Limit in effect for that prior plan year. However, the Annual Compensation Earnable Limit in effect for plan years beginning before January 2, 2002 is \$200,000.

**C. Application of the Compensation Earnable and Pensionable Compensation Limit**

In general, the Annual Compensation Earnable and Pensionable Compensation Limit is applied to the Compensation Earnable or Pensionable Compensation for the plan year on which accruals of benefits from SBCERA are based.

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1. General Rule

To the extent SBCERA determines Compensation Earnable or Pensionable Compensation for benefit accruals for a plan year based on Compensation Earnable or Pensionable Compensation for the plan year, then the Annual Compensation Earnable and Pensionable Compensation Limit that applies for that plan year is the limit in effect for the calendar year in which the plan year begins. Since SBCERA's plan year corresponds to the fiscal year beginning on the first day of July, the Compensation Earnable or Pensionable Compensation used to determine all benefit accruals for each plan year is limited to the Annual Compensation Earnable and Pensionable Compensation Limit in effect as of January 1 of the calendar year in which the plan year begins.

2. Member Contributions

Since SBCERA's plan year is the fiscal year beginning on the first day of July, Compensation Earnable or Pensionable Compensation used to determine Member contributions for each plan year shall be limited to the Annual Compensation Earnable and Pensionable Compensation Limit in effect as of January 1 of the calendar year in which the plan year begins.

3. Example - Retirement Allowance

- a. Example #1: The retirement allowance provided by SBCERA for certain Members not subject to PEPRA is based on the highest 12 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable and Pensionable Compensation Limit was \$275,000 for the 2018 calendar year and \$280,000 for the 2019 calendar year. A Member retires in May 2019. The Member's highest 12 consecutive months of Compensation Earnable is for the period May 1, 2018 through April 30, 2019. The annual Compensation Earnable used for determining this Member's benefits for the 2019 year is limited to \$275,000, not \$280,000, because this is the limit in effect for the calendar year in which the 12-consecutive month period began.
- b. Example #2: For some Members of SBCERA, including Members subject to the requirements enacted under PEPRA, the retirement allowance provided by SBCERA is based on the highest 36 consecutive months of Pensionable Compensation ending within the plan year. The Annual Compensation Earnable and Pensionable

Compensation Limit was \$270,000 for 2017, \$275,000 for 2018, and \$280,000 for 2019. A Member retires in May 2020. The Member has \$300,000 per year (\$25,000 per month) of compensation during the Member's highest 36 consecutive months for the period May 1, 2017 through April 30, 2020. For purposes of the IRS Annual Compensation Earnable and Pensionable Compensation Limit, the Association may not base the Member's benefits beginning in 2020 on annual Pensionable Compensation in excess of \$275,000, the average of the limits in effect for each of the three 12-consecutive month periods: the May 1, 2017 through April 30, 2018 period is capped at \$270,000, the 2017 limit; the May 1, 2018 through April 30, 2019 is capped at \$275,000, the 2018 limit; and the May 1, 2019 through April 30, 2020 period is capped at \$280,000, the 2019 limit. The average of these capped amounts or \$275,000 is the Annual Compensation Earnable and Pensionable Compensation Limit for determining benefits for a member who retires in May 2020. However, since the PEPRA compensation limit is lower than the Annual Compensation Earnable and Pensionable Compensation Limit, those lower limits would apply to further limit the new Member's Pensionable Compensation that can be counted for benefit purposes to the average of the PEPRA annual limits or \$121,447 (for Social Security-covered new Members) or \$145,737 (for non-Social Security covered new Members), with the average calculated using the following annual PEPRA limits: the May 1, 2017 through April 30, 2018 period is capped at \$118,775 (for Social Security-covered members) or \$142,530 (for non-Social Security covered members), the 2017 limit; the May 1, 2018 through April 30, 2019 is capped at \$121,388 (for Social Security-covered members) or \$145,666 (for non-Social Security covered members), the 2018 limit; and the May 1, 2019 through April 30, 2020 period is capped at \$124,180 (for Social Security-covered members) or \$149,016 (for non-Social Security covered members), the 2019 limit. This means that the new Member would be limited to benefits not to exceed \$121,447 (for a Social Security-covered new Member) or \$145,737 (for a non-Social Security covered new Member).

4. Example: Member Contributions

The refund or withdrawal benefits from Member contributions are accrued on an annual basis. The Annual Compensation Earnable and Pensionable Compensation Limit was \$270,000 for the 2017 calendar year; \$275,000 for the 2018 calendar year; and \$280,000 for the 2019 calendar year. Although SBCERA's plan year for other purposes runs from July 1 to the following June 30, SBCERA applies the compensation limits addressed in this policy

on a calendar year basis. Thus Member contributions made from July 1, 2018 through June 30, 2019 are calculated based on Compensation Earnable not to exceed \$275,000. For new Members subject to the PEPRA compensation limits, Member contributions made from July 1, 2018 through June 30, 2019 are calculated based on the lower 2018 PEPRA limit of \$121,388 (for Social Security-covered members) or \$145,666 (for non-Social Security covered members).

## II. INTERNAL REVENUE CODE SECTION 415: ANNUAL BENEFIT LIMIT

### A. Annual Benefit Limit, In General

#### 1. Annual Limit

Unless an exception applies, the Annual Benefit payable to a Member under SBCERA shall not exceed the dollar limit specified under section 415(b)(1)(A) of the Code, as automatically adjusted under Code § 415(d). Herein after referred to as the "Annual Benefit Limit."

#### 2. Maximum Payment

If the benefit the Member would otherwise be paid during a Limitation Year would be in excess of the Annual Benefit Limit, such benefit shall be limited to an amount not exceed the Annual Benefit Limit.

#### 3. COLA Adjustment

In the case of a Member who has had a Severance From Employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

#### 4. Multiple Annuity Starting Dates

- a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this Policy as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.

- b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment For Forms Of Benefit

Except as provided in Section II.A.6. below, if the Member's benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of applying the limits of Code § 415 and of this Policy, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph (a) or (b) below, whichever is applicable.

- a. Annuities. If the Member's benefit is payable in the form of a non-decreasing life Annuity or other form of benefit described in Treas. Reg. § 1.417(e)-1(d)(6), then the actuarially equivalent Straight Life Annuity is equal to the greater of:
  - i. The Straight Life Annuity (if any) payable to the Member under SBCERA commencing at the same Annuity Starting Date as the form of benefit payable to the Member, or
  - ii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using:
    - A. The Applicable Mortality Table; and
    - B. A 5% interest assumption.
- b. Lump sums, installments, etc. If the Member's benefit is payable in the form of a lump sum, installments, a decreasing Annuity, term certain or other form of benefit not described in Treas. Reg. §1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:
  - i. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the Plan for adjusting benefits in the same form;
  - ii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial



present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or

- iii. The annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table divided by 1.05.

6. No Actuarial Adjustment (Or Limitation) Required For Certain Benefits.

In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits or benefit forms:

- a. Qualified joint and survivor Annuity. Survivor benefits payable to a surviving Spouse under a joint and survivor Annuity that would qualify as a qualified joint and survivor Annuity defined in Code § 417(b). If benefits are paid partly in the form of a qualified joint and survivor Annuity and partly in some other form (such as a single sum distribution), the rule of this Section II.A.6. applies only to the survivor Annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor Annuity.
- b. Benefits that are not "retirement benefits". Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
- c. Certain automatic benefit increases. Benefits that meet the following requirements: (i) SBCERA provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of SBCERA's Board of Retirement or the County of San Bernardino's Board of Supervisors) and (ii) the form of benefit complies with Code § 415(b) without regard to the automatic benefit increase.

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code § 415(d). Also if the form of benefit without

regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in Section II.A.5. of this Policy.

7. Rules for Determining Annual Benefit.

- a. Social Security Supplements, Etc. The determination of the Annual Benefit shall take into account social security supplements described in Code § 411(a)(9) and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant to Treas. Reg. § 1.411(d)-4, Q&A-3(c).
- b. Member Contributions. The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include any benefits that are made on a pre-tax basis such as pickups under Code § 414(h)(2) or such as Member contributions that are actually paid by the Member's Employer.
- c. Rollovers. The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code § 415.
- d. Voluntary Contributions. Member contributions that are defined as "voluntary" contributions under Code § 415 (such as certain contribution under California Government Code section 31627) are not subject to the limits of this Policy but are subject to the limits of Code § 415(c) concerning defined contribution plans.

**B. Annual Benefit Limit: Reduction for Less Than 10 Years of Participation**

1. Reduction

If the Member has less than 10 Years of Participation in SBCERA, the Annual Benefit Limit shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in SBCERA, and (ii) the denominator of which is 10.

The reduction described in this Section II.B.1. shall not apply to disability benefits or death benefits as provided in the Code.

2. Counting Years of Participation

The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (i) the Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of SBCERA in order to accrue a benefit for the accrual computation period, and (ii) the Member is included as a Member under the eligibility provisions of SBCERA for at least one day of the accrual computation period. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period. A Member who is permanently and totally disabled within the meaning of Code § 415(c)(3)(C)(i) for an accrual computation period shall receive a Year of Participation with respect to that period. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if an SBCERA Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,043.5 hours of service for the period (based on SBCERA's policy of regarding a full year's service as 2087 hours), the Member is credited with 1/2 year of participation for purposes of this subsection.

**C. Annual Benefit Limit: Reduction for Commencement Before Age 62 For Certain Members**

1. No Reduction For Certain Safety Members

The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains SBCERA or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

2. Reduction For Benefits Commencing Before Age 62

If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit reduced in accordance with Code § 415(b) to its actuarial equivalent using:
  - i. The Applicable Mortality Table; and

- ii. A 5% interest rate; or
- b. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under SBCERA commencing at age 62, both determined without applying the limitations of this Policy.

The adjustment described in this Section II.C.2. shall not apply to disability benefits or death benefits.

3. Probability of Death

No adjustment will be made to the Annual Benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

**D. Annual Benefit Limit: Increase for Commencement After Age 65**

1. Increase For Benefits Commencing After Age 65

If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:

- a. The Annual Benefit Limit increased in accordance with Code § 415(b) to its actuarial equivalent using:
  - i. The Applicable Mortality Table; and
  - ii. A 5% interest rate; or
- b. The Annual Benefit Limit multiplied by the ratio of the annual amount of the adjusted immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under SBCERA at age 65, both determined without applying the limitations of this Policy. For this purpose, the adjusted immediately commencing Straight Life Annuity under SBCERA at the Member's Annuity Starting Date is the annual amount of such Annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under SBCERA at age 65 is the

annual amount of such Annuity that would be payable under the Association to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

2. Probability of Death

No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.

**E. Minimum Benefit Permitted**

The benefit otherwise accrued or payable to a Member under SBCERA is treated as not exceeding the Annual Benefit Limit if:

1. Minimum Benefit Limit Allowed. The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under SBCERA and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; **and**
2. Condition. The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

**F. Participation In Multiple Defined Benefit Plans**

1. Application of Limit to Aggregate Benefits

If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the aggregate sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

2. Multiple Plan Benefit Limit Coordination

Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the Annual Benefit Limit, and then reduced from SBCERA but only to the extent that the reduction under such other plans is insufficient to avoid exceeding the Annual Benefit Limit.

**G. Multiple-Employer Plan**

Employer-provided benefits for the Member attributable to all of the Employers participating in SBCERA are taken into account for purposes of applying the Annual Benefit Limit.

**H. GRANDFATHER RULES: Special Annual Benefit Limit for Qualifying Members**

By the enactment of Section 31899 et. seq. of the California Government Code, the "grandfather" election under Code section 415(b)(10) was made for SBCERA and all retirement systems maintained under the CERL.

Therefore, notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under SBCERA determined without regard to any amendment made after October 14, 1987.

For purposes of this Section II.H., the term "Qualified Member" means a Member who first became a Member in SBCERA before January 1, 1990.

**I. Application Of Annual Benefit Limit On Purchase Of Permissive Service Credit**

1. General Rule

To the extent not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to SBCERA to purchase Permissive Service Credit under SBCERA, then the requirements of this Policy will be treated as met only if:

- a. The requires of SBCERA's Policy governing the Annual Benefits applicable to defined benefit plans are met by treating the accrued benefit derived from all such contributions as an Annual Benefit; or
- b. The requirements of SBCERA's Policy governing the limits on Annual Additions applicable to defined contribution plans are met by treating all such contributions as Annual Additions.

2. Permissive Service Credit

For purposes of this Section, "Permissive Service Credit" means credit:

- a. recognized by SBCERA for purposes of calculating a Member's benefit under the Association;
- b. which such Member has not received under SBCERA; and
- c. which the Member may receive only by making a voluntary additional contribution in an amount determined under SBCERA, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.

Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding Section II.1.2.b. above, may include service credited in order to provide an increased benefit for service credit which a Member is receiving under SBCERA, but only to the extent not prohibited by PEPR.

3. Limitation on Nonqualified Service Credit

SBCERA will fail to satisfy the requirements of this Policy if:

- a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
- b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under SBCERA.

4. Nonqualified Service Credit Defined

For purposes of Section II.1.3. above, the term "Nonqualified Service Credit" means permissive service credit other than that allowed with respect to:

- a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, a State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of repayment of cash-outs);
- b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in Section II.I.4.a.) of an educational organization described in Code § 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;
- c. Service as an employee of an association of employees who are described in Section II.I.4.a.; or
- d. Military service (other than qualified military service under Code § 414(u)) recognized by SBCERA.

In the case of service described in subparagraphs a, b or c above, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.

Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPRA, SBCERA will not process such service credit purchase.

#### 5. Trustee-to-Trustee Transfers

In the case of a trustee-to-trustee transfer to the Association to which Code § 403(b)(13)(A) or § 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):

- a. the Nonqualified Service Credit rules shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and
- b. the distribution rules applicable under the Code to SBCERA shall apply to such amounts and any benefits attributable to such amounts.



6. Repayment of Cash-outs

In the case of any repayment of contributions (including interest) to SBCERA with respect to an amount previously refunded upon a forfeiture of service credit under SBCERA or under another governmental plan maintained by a state or local government employer within the State of California, any such repayment shall not be taken into account for purposes of this Policy.

**III. INTERNAL REVENUE CODE SECTION 415(c): ANNUAL ADDITION LIMIT**

**A. Annual Additions Limit, In General**

Notwithstanding anything to the contrary contained in the Association, the total Annual Additions allocated to a Member's Account under the Association, when added to the Annual Additions allocated to the Member's accounts under all other Aggregated Plans maintained by the Employer or an Affiliate for any Limitation Year, shall not exceed the Maximum Permissible Amount; provided, however, that the limit described in VI.R.2 shall not apply the Code § 415(c) limitation to an individual medical benefit account (as defined in Code § 415(l)).

**B. Aggregation With Other Defined Contribution Plans**

All defined contribution plans (as defined in Treas. Reg. § 1.415(c)-1(a)(2) whether or not terminated) maintained by the Employer or an Affiliate shall be aggregated with the Association, and all plans so aggregated shall be considered as one plan in applying the limitations of this Policy.

**C. Coordination With Other Defined Contribution Plans**

In the event that a Member participates in another defined contribution plan of the Employer or of an Affiliate that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the Member to SBCERA shall be reduced to the extent necessary to avoid exceeding the limitations of this Policy when contributions are aggregated as described in Sections III.A. and III.B. above.

**D. Correction**

Any excess Annual Additions shall be corrected using the methods specified in guidance promulgated by the United States Secretary of the Treasury describing the procedures for

correcting excess Annual Additions under the Employee Plans Compliance Resolution System ("EPCRS") or its successor.

#### IV. INTERNAL REVENUE CODE SECTION 402(c) ROLLOVERS

##### A. Types Of Rollovers

###### 1. Direct Rollover

A "Direct Rollover" is that portion of an Eligible Rollover Distribution SBCERA pays directly to an Eligible Retirement Plan, and may also be referred to as a trustee-to-trustee transfer to an Eligible Retirement Plan, at the direction of an Eligible Individual. Only an Eligible Individual may elect to make a Direct Rollover.

###### 2. Indirect Rollover

An "Indirect Rollover" is that portion of an Eligible Rollover Distribution that SBCERA pays directly to an Eligible Individual.

##### B. Rollover Distributions From SBCERA

###### 1. Eligible Rollover Distribution

SBCERA will pay a Direct Rollover on behalf of an Eligible Individual only if the payment is an Eligible Rollover Distribution. SBCERA will pay an Eligible Rollover Distribution directly to an Eligible Retirement Plan.

###### 2. After-Tax Portion of Eligible Rollover Distribution

The portion of a distribution that consists of after-tax Member contributions may be rolled over if the after-tax funds are transferred in a direct trustee-to-trustee transfer to (a) a qualified trust or (b) an annuity contract described in Code § 403(b). After-tax Member contributions may also be rolled over to an individual retirement account or annuity described in Code § 408(a) or (b). The qualified trust or annuity contract must separately account for the transferred after-tax amounts, and must also separately account for the earnings on the after-tax amounts.

## C. Direct Rollovers from SBCERA: Requirements

### 1. Withholding

SBCERA will not withhold any federal or state income taxes from a Direct Rollover. The only exception is that SBCERA will withhold federal or state income taxes from a Direct Rollover to a Roth IRA if the Eligible Individual requests that withholding on a form and in the manner prescribed by SBCERA.

### 2. Electing a Direct Rollover

An Eligible Individual who wishes to receive a Direct Rollover must complete a distribution form in the manner and form that SBCERA prescribes. SBCERA may require the Eligible Individual to provide any reasonable information and/or documentation for purposes of administering the Direct Rollover in accordance with the Code.

### 3. Rollover Payment

The Eligible Individual must provide SBCERA with the name of the Eligible Retirement Plan to which the rollover payment will be made payable for his or her benefit. If the Eligible Individual so chooses, SBCERA will provide this rollover payment directly to the Eligible Individual who will be responsible for delivering the payment to the recipient IRA or plan.

### 4. Eligible Individual's Responsibility Re Recipient Plan

The Eligible Individual is responsible for ensuring that any Eligible Retirement Plan that he or she has designated to receive the Eligible Individual's distribution from SBCERA in a Direct Rollover is an Eligible Retirement Plan that will accept and receive the rollover on his or her behalf in accordance with the applicable tax rules.

### 5. Time of Payment

SBCERA will pay a Direct Rollover on behalf of an Eligible Individual as soon as is reasonably and administratively practicable in accordance with its withdrawal and/or death benefit payment processes.

**D. Indirect Rollover From SBCERA: Requirements**

1. Indirect Rollover Eligibility

An Eligible Individual, other than a non-spouse beneficiary, may also choose to receive a rollover payment as an Indirect Rollover.

2. Indirect Rollover Withholding

An Indirect Rollover is subject to 20% federal income tax withholding and any applicable state withholding. SBCERA will withhold and deduct these taxes on behalf of the Eligible Individual as prescribed by federal and applicable state law.

3. Eligible Individual's Responsibility Re Recipient Plan

It is the responsibility of the Eligible Individual to roll over all or some portion of his or her Indirect Rollover payment to an IRA or eligible employer plan within 60 days if he or she wants the payment to qualify as a rollover for tax purposes. If an Eligible Individual wants to roll over 100% of the payment, the Eligible Individual must replace the 20% that was withheld for federal income taxes (and any applicable state withholding) with other money.

**E. Direct Rollover From SBCERA To A Non-Spouse Beneficiary**

1. Direct Transfer Required

A rollover on behalf of a non-spouse beneficiary must be a Direct Rollover or trustee-to-trustee transfer.

2. Non-Spouse Beneficiaries Rollover to Inherited IRA Required

A non-spouse beneficiary who is a "designated beneficiary" under Code § 401(a)(9)(E) may roll over all or any portion of the non-spouse beneficiary's Eligible Rollover Distribution to an IRA that is established by the non-spouse beneficiary for purposes of receiving the distribution and that is treated as an "inherited IRA" under the Code. The IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the beneficiary (for example, "Tom Smith as beneficiary of John Smith").

3. Trust as Beneficiary

If the non-spouse beneficiary is a trust, SBCERA may make a Direct Rollover to an IRA on behalf of the trust, provided the beneficiaries of the trust satisfy the requirements to be designated beneficiaries within the meaning of Code § 401(a)(9)(E). The IRA on behalf of the trust must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the trust beneficiary (for example, "The Smith Family Trust as beneficiary of John Smith").

**F. Notice Requirements**

1. 402(f) Notice From the Association

SBCERA will provide the tax notice required under Code § 402(f) to each Eligible Individual who requests a withdrawal from SBCERA.

2. Time Periods

SBCERA will not process any withdrawals until 30 days after the date such notice is received by the Eligible Individual requesting the withdrawal. If, however, the Eligible Individual waives this 30-day period on a form and in the manner prescribed by SBCERA, SBCERA may process the withdrawal before the 30-day period expires.

**G. Rollover Contributions To SBCERA**

Adoption of a Policy providing for the acceptance of certain rollover contributions as determined below does not create any continuing entitlement for Eligible Members to make rollover contributions to SBCERA and the right to make rollover contributions to SBCERA may be amended or terminated at any time and for any reason.

If SBCERA has determined to permit any rollover contributions, SBCERA will permit Eligible Members to make a rollover contribution to the SBCERA subject to the limitations and conditions described in this Section IV.G.

1. Eligible Member

An "Eligible Member" is (1) an active Member of SBCERA, or (2) a Member of SBCERA that has elected a deferred retirement.

2. Rollovers Allowed

SBCERA will permit an Eligible Member to make a rollover contribution to SBCERA (a) to purchase service credit (to the extent a purchase of service credit is not prohibited under the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), or (b) for the redeposit of previously withdrawn funds plus accumulated interest.

3. Separate Accounting

SBCERA will separately account for all rollover contributions.

4. Certification to the Association By Member

Only eligible rollover distributions as defined by Code § 402(c)(4) can be contributed to SBCERA. In addition to any requirements under Sections IV.H, I and J below, each Eligible Member making a rollover contribution to SBCERA must certify in writing the source of the rollover funds and that the rollover contribution is an eligible rollover distribution under the Code. SBCERA will not accept rollovers of any after-tax contributions or amounts attributable to designated Roth contributions, amounts that represent minimum required distributions, or any rollover that is an indirect rollover.

5. Elections and Association Discretion

An Eligible Member must make an election to purchase service credit or redeposit previously withdrawn contributions with a rollover contribution in the manner and form that is prescribed by SBCERA. SBCERA has final discretionary authority to determine whether any required information or documentation is satisfactory, whether a purchase of service credit would be prohibited under PEPRA, and whether SBCERA will accept an Eligible Member's rollover contribution.

6. Correction of Errors

If SBCERA accepts a rollover contribution that it later determines was not eligible to be rolled over to SBCERA, SBCERA will distribute, as soon as administratively possible, the amount of the rollover contribution to the Eligible Member, plus accumulated interest. Such distributions may have tax consequences for the Member.

## H. Rollovers To SBCERA From A Qualified Plan

### 1. Acceptance of Rollover

SBCERA may accept a rollover from another plan that is qualified under Code § 401(a) and exempt from tax under Code § 501(a).

### 2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the sending plan's tax-qualified status and that the rollover contribution is valid. SBCERA may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

#### a. Eligible Member Certification

The Eligible Member must provide the following additional information to SBCERA:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from a Code section 401(a) qualified plan, contains no after-tax or designated Roth contributions or earnings, or any amounts representing a required minimum distribution under Code section 401(a)(9); or
- (ii) A signed certification from the transferring plan's administrator that the rollover contribution contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9).

If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

#### b. SBCERA Verification of Payment Source

SBCERA must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the former 401(a) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

c. SBCERA Verification That the Plan is a Tax-Qualified Plan

SBCERA must take reasonable steps to verify that the rollover will be from a tax-qualified plan which can include the following or any other methods allowed in guidance issued by the IRS.

- (i) SBCERA may look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. SBCERA will check the entry on the line for characteristics indicating that the plan is intended to be a qualified plan (e.g. examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines SBCERA may reasonably conclude that the plan is qualified, unless SBCERA has any direct evidence to the contrary.
- (ii) If the qualified plan is not required to file Form 5500 or Form 5500-SF, then the Eligible Member must provide one of the following to SBCERA demonstrating the source of the rollover contribution is a qualified plan: (a) a copy of the plan's most recent favorable determination letter from the IRS stating the plan is tax-qualified and a written certification from the plan's administrator that the plan continues to be tax-qualified, or (b) a written and signed certification from the plan's administrator that the source of the eligible rollover distribution is a qualified plan under Code § 401(a).

I. Rollovers To SBCERA From An IRA

1. Acceptance of Rollover

SBCERA may accept a rollover from an individual retirement account or annuity (IRA) described in Code § 408(a) or Code § 408(b).

2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the IRA's status and that the rollover contribution is valid. SBCERA may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the IRS.



a. Eligible Member Certification

The Eligible Member must provide the following additional information to the Association:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from his or her IRA and contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code § 401(a)(9); or
- (ii) If the Eligible Member cannot certify, with respect to the after-tax or designated Roth contributions, a signed certification from an accountant or tax advisor or the IRA trustee/custodian providing the amount of pre-tax contributions and after-tax or designated Roth contributions in the IRA.

SBCERA will only accept a rollover contribution from the IRA in the amount of the pre-tax contributions and earnings. If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

b. SBCERA Verification of Payment Source

SBCERA must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the IRA of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

**J. Rollovers To SBCERA From Other Plans: 457(b) And 403(b)**

1. Acceptance of Rollover

The Association may accept rollover contributions from an eligible plan under Code § 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state (a "governmental 457(b) plan"), and an annuity contract described in Code § 403(b).

2. Required Due Diligence Procedure

SBCERA must take reasonable steps to confirm the sending plan's status as an eligible 457(b) plan or an eligible Code § 403(b) annuity or custodial account and that the rollover contribution is valid. SBCERA may rely on IRS

guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the IRS.

a. Eligible Member Certification

The Eligible Member must provide the following additional information to SBCERA:

- (i) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from an eligible 457(b) or 403(b) plan and contains no after-tax or designated Roth contributions or earnings; or
- (ii) A signed certification from the transferring plan's administrator that the rollover contribution contains no after-tax or designated Roth contributions or earnings.

If an Eligible Member does not provide such evidence, SBCERA will not accept the rollover.

b. SBCERA Verification of Payment Source

SBCERA must take steps to verify that the payment source (on the incoming check or wire transfer) is the former eligible 457(b) or 403(b) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

c. SBCERA Verification That the Plan is an Eligible Plan

SBCERA must take reasonable steps to verify that the rollover will be from an eligible 457(b) plan or 403(b) plan which can include the following or any other methods allowed in guidance issued by the (IRS).

- (i) SBCERA may look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. SBCERA will check the entry on the line for characteristics indicating the plan is intended to be an eligible 457(b) or 403(b) plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, SBCERA may reasonably conclude that the plan is an eligible plan, unless SBCERA has any direct evidence to the contrary.

- (ii) If the 457(b) or 403(b) plan is not required to file Form 5500 or Form 5500-SF, then the Eligible Member must provide one of the following to SBCERA demonstrating that the source of the rollover contribution is an eligible governmental 457(b) plan or a Code § 403(b) plan: (a) a copy of the transferring plan's most recent private letter ruling from the IRS stating that the transferring plan qualifies as an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable, and a signed certification from the transferring plan's administrator that the transferring plan continues to be so qualified, or (b) a signed certification from the transferring plan's administrator that the rollover distribution source is an eligible governmental 457(b) plan or a Code § 403(b) plan, as applicable.

If the above verification cannot be made, SBCERA will not accept the rollover.

#### **V. REQUIRED MINIMUM DISTRIBUTION RULES**

In accordance with section 823 of the Pension Protection Act of 2006 ("PPA"), this Policy is promulgated in accordance with a reasonable good faith interpretation of Code § 401(a)(9), and the Treasury Regulations thereunder, as applicable to a governmental plan within the meaning of section 414(d) of the Code.

Notwithstanding the other requirements of this Policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

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**A. Time And Form Of Payment**

1. Required Beginning Date

A Member's entire interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date.

2. Periodic And Other Forms Of Payments

A Member's entire interest in SBCERA shall be distributed in the form of RMD Annuity payments that meet the requirements of Section V.A.3. or in the form of a single sum or an insurance company annuity contract that meets the requirements Section V.A.4. Payments may be made in a combination of these forms of payment and may include lump sum refunds or withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code § 401(a)(9).

3. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

a. Periodic

RMD Annuities must be paid over equal payment intervals which may not be longer than one year.

b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Section V.C. or Section V.D. of this Policy.

c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section V.E.

d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Treas. Reg. § 1.401(a)(9)-6, Q&A-13.

e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

4. Other Forms

a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code § 401(a)(9).

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in Code § 414(k) will be distributed in a manner satisfying the requirements of Code § 401(a)(9) that apply to individual accounts.

**B. Amounts Required To Be Distributed By the Required Beginning Date and Later Payment Intervals**

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under Sections V.D.1.a or V.D.1.b.

**C. RMD Annuity Distributions Beginning During Member's Life**

The following rules must be met to comply with the requirements of the Code and this Policy for RMD Annuities that begin during the Member's lifetime.

1. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this Policy.

2. Joint and Survivor RMD Annuity - Death of Member After Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

3. Joint and Survivor RMD Annuity With Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving Spouse, with no benefits paid to any other person, meets the requirements of the Code and this Policy regardless of the difference in age of the Member and the Member's Spouse.

4. Joint and Survivor RMD Annuity When the Sole Beneficiary Is Not the Member's Spouse

a. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treas. Reg. § 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

b. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

c. Rule Regarding Other Beneficiaries

Solely to the extent required by Code § 401(a)(9) and under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under Section V.C.4.b.), then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to survivor benefits.

5. Period Certain RMD Annuity

a. Spouse is the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in Treas. Reg. §1.401(a)(9)-9, Q&A-3, using the Member's and Spouse's ages as of the Member's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

b. Spouse is Not the Sole Beneficiary

When the Member's surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treas. Reg. §1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the distribution period for the Member is the distribution period for age 70 increased by the

difference between 70 and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

c. **Rule Regarding Children of Member**

Under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section III.D. above shall apply.

d. **Rule Regarding Other Beneficiaries**

Under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

**D. Distributions When Member Dies Before Benefits Begin**

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

1. **When Distributions Must Begin**

a. **Spouse is the Sole Designated Beneficiary**

If the Member's sole Designated Beneficiary is the Member's surviving Spouse, then, except as provided in Section V.D.1.e., distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached age 70 1/2.

b. **Spouse is not the Sole Designated Beneficiary**



If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in Section V.D.1.e., distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

c. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

d. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this Section V.D.1., other than Section V.D.1.a., applies as if the surviving Spouse were the Member.

e. Election of Five Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by SBCERA, to have the five year rule of Section V.D.1.c. apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

2. When Distributions Are Considered to Begin

For purposes of this Section V.D.2., unless Section V.D.1.d. applies, distributions are considered to begin on the Member's Required Beginning Date. If Section V.D.1.d. applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section V.D.1.a. If distributions under an RMD Annuity meeting the requirements of this Policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section V.D.1.a.), the date distributions are considered to begin is the date distributions actually commence.

3. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

If the Member is survived by a Designated Beneficiary, the Member's entire interest in SBCERA shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in Section V.D.3.b.

2. Period Certain

The period certain in Section V.D.3.a. may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treas. Reg. § 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Before Distributions To Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section V.D.3. shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section V.D.1.a.

**E. RMD Annuity Payment Increases**

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments (COLA)

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by SBCERA, in accordance with the CERL, to represent an appropriate amount to take account of cost of living increases affecting retirees or beneficiaries.

2. "Pop-Ups"

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member's beneficiary pursuant to a domestic relations order under applicable state law.

3. Single Sum Distribution

RMD Annuity Payments may increase to the extent necessary to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the Member's death or under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6,

Q&A-14(a)(5) and taking into account the vested rights in retirement benefits created by the California Constitution, to allow a beneficiary to select a lump sum distribution of all or part of the Member's interest under SBCERA as provided in the CERL.

4. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, the California Government Code or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

5. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to Article 5.5 of the CERL dealing with the Supplemental Retiree Benefit Reserve; (iii) pursuant to Section 31691.1 of the CERL; and (iv) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

**F. Additional Accruals After First Distribution Calendar Year**

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

**G. Domestic Relations Orders**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be deemed to be separate Members of the System for purposes of this Policy and section 401(a)(9) of the Code.

**H. Reciprocal Member**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which SBCERA has reciprocity under California law, then

for purposes of determining the Required Beginning Date under SBCERA the Member shall be treated as a current employee of SBCERA and as such, as if he or she had not retired, even if he or she has attained age 70½.

**I. Public Safety Member Killed In Line of Duty**

Under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code § 401(a)(9) because they shall be treated as incidental death benefits.

**J. Rollovers**

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treas. Reg. § 1.402(c)-2, Q&A-7.

**K. Payments to Surviving Child Treated as Made to Surviving Spouse**

Solely to the extent required by section 401(a)(9) of Title 26 of the Code and under a good faith interpretation of the Code and Treas. Reg. § 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code § 401(a)(9) and this Policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of § 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treas. Reg., or upon the occurrence of such other event specified in Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under section 401(a)(9) of the Code.

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## VI. DEFINITIONS

### A. **Account**

“Account” means the separate Member account provided under SBCERA for benefits that are separate and apart from the retirement benefits (Annuity and pension) otherwise provided under the CERL.

### B. **Affiliate**

Solely to the extent provided in the Code with respect to public agencies, the term “Affiliate” means all members of a controlled group of an Employer.

### C. **Aggregated Plan**

“Aggregated Plan” means any defined contribution plan which is aggregated with SBCERA pursuant to Section II.F. of this Policy.

### D. **Annual Additions**

“Annual Additions” means the sum of the following amounts credited to a Member’s Account under SBCERA and any Aggregated Plans for the Limitation Year:

1. Employer contributions allocated to the Member’s Account that is separate and apart from any pension or Annuity benefits provided under the CERL;
2. Employee contributions (after-tax), including mandatory contributions (as defined in section 411(c)(2)(C) of the Code and Treasury regulations issued thereunder), as well as voluntary employee contributions used to purchase permissive service credit (as defined in Code section 415(n)(3)), to the extent such service credit purchase is not prohibited under PEPRA and those amounts are treated as Annual Additions in the year contributed pursuant to Code section 415(n)(1);
3. Forfeitures; and
4. Amounts allocated to the Member’s individual medical account (within the meaning of section 415(l)(2) of the Code), which is part of a pension or Annuity plan maintained by the Employer or Affiliate, except that such amounts are not included in Annual Additions for purposes of applying the 100% of compensation limit.

The term “Annual Additions” excludes:

1. Repayments of cash-outs as described in Code section 415(k)(3) (for example, to purchase restoration of an accrued benefit that was lost when employee contributions were previously cashed out) for the Limitation Year in which the restoration occurs;
2. Catch-up contributions made in accordance with Code section 414(v);
3. Restorative payment described in Treasury regulations section 1.415(c)-1(b)(2)(ii)(C);
4. Excess deferrals that are distributed in accordance with Treasury regulations section 1.402(g)-1(e)(2) or (3);
5. Rollover contributions (as described in Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d) and 457(e)(16) of the Code);
6. Loan repayments;
7. Employee contributions to a qualified cost-of-living arrangement described in Code section 415(k)(2)(B);
8. Employee contributions picked up by the Employer under Code section 414(h)(2);
9. Make-up contributions attributable to a period of qualified military service, as defined in Code section 414(u), with respect to the year in which the contribution is made (but not with respect to the year to which the contribution relates); and
10. Employee contributions to purchase permissive service credit (as defined in Code section 415(n)(3)) to the extent such service credit purchase is allowed under PEPRA and the accrued benefit derived from all such contributions is treated as an annual benefit subject to the limits of Code section 415(b).

#### **E. Annual Benefit**

“Annual Benefit” means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section II.A.5., where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this Policy) pursuant to Section II.A.7. to an actuarially

equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.

**F. Annual Benefit Limit**

“Annual Benefit Limit” means the limit described in Section II.A.1. of this Policy.

**G. Annuity**

“Annuity” for purposes of Section II does **not** mean “annuity” as defined in the CERL but instead means a retirement benefit that is payable by SBCERA, as provided in section 415 of the Code.

**H. Annuity Starting Date**

“Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as an Annuity or, in the case of a retirement benefit not payable in the form of an Annuity, the first day on which all events have occurred which entitle the Member to payment under SBCERA.

**I. Applicable Interest Rate**

“Applicable Interest Rate” means the “applicable interest rate” defined in Code § 417(e)(3)(C) and shall be such rate of interest determined as of the first month preceding the stability period, which shall be the month containing the Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.

**J. Applicable Mortality Table**

“Applicable Mortality Table” means the “applicable mortality table” defined in Code § 417(e)(3)(B).

**K. Designated Beneficiary**

“Designated Beneficiary” means the individual who is designated by the Member (or the Member’s surviving Spouse) as the beneficiary of the Member’s interest under SBCERA and who is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member’s estate or a trust, cannot be a Designated Beneficiary of a Member’s interest in SBCERA. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this Policy and Code section 401(a)(9) if all of the applicable



requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

#### **L. Distribution Calendar Year**

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section V.A. of this Policy.

#### **M. Eligible Individual**

An "Eligible Individual" means:

1. A Member who has terminated employment from the County of San Bernardino (or other agency covered by SBCERA) and who is eligible to withdraw his or her accumulated Member contributions under SBCERA;
2. A deceased Member's surviving Spouse;
3. A Member's or former Member's Spouse or former Spouse who is the alternate payee under a domestic relations order, as defined in Code § 414(p), with regard to the interest of the Spouse or former Spouse; and
4. A deceased Member's non-spouse beneficiary who is a "designated beneficiary" under Code § 401(a)(9)(E), subject to the non-spouse beneficiary provisions in Section IV.E.

#### **N. Eligible Retirement Plan**

"Eligible Retirement Plan" means:

1. An annuity plan described in Code § 403(a);
2. An annuity contract described in Code § 403(b);
3. A governmental eligible deferred compensation plan described in Code § 457(b) that agrees to separately account for amounts transferred into such plan from SBCERA,

4. An individual retirement annuity described in Code § 408(a);
5. An individual retirement account described in Code § 408(b);
6. A Roth IRA described in Code § 408A; or
7. A qualified trust described in Code § 401(a) (including defined benefit pension plans and defined contribution plans such as 401(k) plans, profit sharing plans, and money purchase plans).

An Eligible Retirement Plan does **not** include, and therefore, a rollover cannot be made to, a SIMPLE IRA or a Coverdell Education Savings Account.

#### **O. Eligible Rollover Distribution**

"Eligible Rollover Distribution" means is any distribution to an Eligible Individual of all or any portion of the amount credited to the Eligible Individual under SBCERA. These amounts may include (a) refunds of Member contributions plus accumulated interest, or (b) one-time lump sum death benefit payments.

An Eligible Rollover Distribution does not include the following kinds of payments:

1. Periodic Payments

Payments that are part of a series of substantially equal periodic payments (i) made at least once per year over the life (or life expectancy) of the Eligible Individual or the life (or life expectancy) of the Eligible Individual and his or her designated beneficiary, or (ii) made for a period of 10 years or more; or

2. Required Distributions

Payments that are "required minimum distributions" under Code §401(a)(9).

#### **P. Employer**

"Employer" means the participating County or other governmental employer that participates or has participated in SBCERA and employs or employed the Member. The term "Employer" also includes any Affiliated Employer.

#### **Q. Limitation Year**

"Limitation Year" means the calendar year.

**R. Maximum Permissible Amount**

“Maximum Permissible Amount” means the lesser of:

1. \$40,000, as adjusted for increases in the cost-of-living under Code § 415(d);  
or
2. 100 percent of the Member’s Total Compensation for the Limitation Year.

**S. Required Beginning Date**

“Required Beginning Date” means April 1 of the calendar year following the later of the calendar year in which the Member attains age 70½ or the calendar year in which the Member retires.

**T. RMD Annuity**

“RMD Annuity” means, for purposes of the required minimum distribution rules in section 401(a)(9) of the Code, a distribution form providing for periodic payments for a specified period of time. “RMD Annuity” for purposes of this Policy does **not** mean “annuity” as defined in the CERL but instead means a retirement benefit that is payable by the Association.

**U. RMD Annuity Start Date**

“RMD Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as an RMD Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

**V. Severance From Employment**

“Severance From Employment” means the Member ceases to be an employee of the Employer. A Member does not have a Severance From Employment if, in connection with a change of employment, the Member’s new employer maintains SBCERA with respect to the Member.

**W. Spouse**

Effective June 26, 2013, consistent with Federal tax rules, the term “Spouse” means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another

jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

**X. Straight Life Annuity**

"Straight Life Annuity" means an Annuity payable in equal installments for the life of the member and terminating on the Member's death.

**Y. Total Compensation**

"Total Compensation" means all items of remuneration described in paragraph (1) and excludes all items of remuneration described in paragraph (2), below.

**1. Items Included**

Total Compensation includes all of the following items of remuneration for services:

- a. A Member's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer and any Affiliate to the extent that the amounts are includible in gross income (or to the extent that amounts would have been includible in gross income but for an election under Code sections 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b)). These amounts include, but are not limited to, bonuses, fringe benefits, and reimbursements, or other expense allowances under a non-accountable plan, as described in Treasury regulations section 1.62-2(c);
- b. Amounts described in Code section 104(a)(3), 105(a), or 105(h), but only to the extent that these amounts are includible in the gross income of the Member;
- c. Amounts paid or reimbursed by the Employer or an Affiliate for moving expenses incurred by a Member, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Member under Code section 217;

- d. The amount includible in the gross income of an Member upon making the election described in Code section 83(b);
- e. Amounts that are includible in the gross income of a Member under the rules of Code section 409A or Code section 457(f)(1)(A), or because the amounts are constructively received by the Member; and
- f. An amount that is excludable under Code section 106 that is not available to a Member in cash in lieu of group health coverage because the Member is unable to certify that he or she has other health coverage; provided, however, that the Employer does not request or collect information regarding the Member's other health coverage as part of the enrollment process for the health plan.

**2. Items Excluded**

The following items are excluded from Total Compensation:

- a. Employer contributions (other than elective contributions described in Code sections 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) to a deferred compensation plan (including a simplified employee pension described in Code section 408(k) or a simple retirement account described in Code section 408(p), and whether or not qualified) to the extent such contributions are not includable in the Member's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a deferred compensation plan (whether or not qualified) other than amounts received during the year by a Member pursuant to a nonqualified unfunded deferred compensation plan to the extent includible in gross income;
- b. Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are excludible from the gross income of the Member, and are not salary reduction amounts that are described in Code section 125);
- c. Other items of remuneration that are similar to any of the items listed in a and b, above.

**3. Timing**

- a. In order to be taken into account for a Limitation Year, Total Compensation must be paid or made available (or, if earlier, includible in the gross income of the Member) during the Limitation Year. For

this purpose, compensation is treated as paid on a date if it is actually paid on that date or it would have been paid on that date but for an election under Code sections 125, 132(f)(4), 401(k), 403(b), 408(k), 408(p)(2)(A)(i), or 457(b).

- b. In order to be taken into account for a Limitation Year, Total Compensation must be paid or treated as paid to the Member prior to the Member's Severance From Employment with the Employer; provided, however, that Total Compensation includes amounts paid to the Member by the later of 2½ months after Severance From Employment or the end of the Limitation Year if the amounts are regular compensation for services during the Member's regular working hours, compensation for services outside the Member's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation that absent a Severance From Employment would have been paid to the Member while the Member continued in employment with the Employer.
- c. Total Compensation does not include amounts paid after Severance From Employment that are severance pay, unfunded nonqualified deferred compensation, or any other payment that is not described in the preceding paragraph, even if paid within 2½ months, except for:
  - i. Payments to an individual who does not currently perform services for the Employer by reason of Qualified Military Service to the extent that these payments do not exceed the amounts that the individual would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service; and
  - ii. Payments to a Member who is permanently and totally disabled; provided, however that salary continuation applies to all Members who are permanently and totally disabled for a fixed or determinable period. For this purpose, a Member is permanently and totally disabled only if the Member is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.

4. Limit

A Member's Total Compensation shall not include compensation in excess of the limitation of Code § 401(a)(17) that is in effect for the calendar year in which such Limitation Year begins.



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Chair of the Board

**Subject:** RETIREES RETURNING TO WORK

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## RETIREES RETURNING TO WORK

### Introduction

SBCERA is responsible for ensuring the proper payment of benefits to retirees who have earned and are legally entitled to those benefits, and also for ensuring that the benefits it pays are limited to those to which the recipients are legally entitled. Under applicable law, including the County Employees' Retirement Act of 1937 and the Public Employees' Pension Reform Act of 2013, persons receiving retirement allowances from SBCERA may work for SBCERA employers only under limited circumstances. Thus, it is necessary for SBCERA to monitor the SBCERA retirees who return to work for SBCERA's participating employers, in order to ensure that benefits are paid to such re-employed retirees when, and only when, such payments comply with the law, including but not limited to sections 7522.56 and 31680.6 of the California Government Code. Further, SBCERA must ensure that, when such re-employment violates applicable limits, proper action is taken under the law, including but not limited to reinstatement of the re-employed retiree to active membership under section 31680.7. Finally, SBCERA must ensure that implementation of these provisions remains consistent with the rights of members and beneficiaries, and with its fiduciary duties to members, beneficiaries, and plan sponsors.

### Operating Criteria

When an SBCERA participating employer employs or proposes to employ an SBCERA retiree, whether as an employee or through a contract directly with the employer, but intends not to restore that retiree to active membership, the following shall apply:

1. The employer shall report the proposed re-employment to SBCERA prior to its commencement. The report shall be signed by both the employer and the employee, and shall contain at least the following information:
  - a. An acknowledgement by the employer and the employee that they are aware of, and agree to comply with the requirements of:
    - i. sections 7522.56 and 31680.6 of the Government Code, and



- ii. this Policy.
- b. Certification that one of the following is true:
  - i. the re-employment is necessary during an emergency to prevent stoppage of public business; or
  - ii. the employee has skills needed to perform work of limited duration.
- c. An explanation of the limit or limits on the duration of the re-employment.
- d. Certification that the employee will not or did not commence re-employment within 180 days following the date of retirement, or, if re-employment commenced or will commence within 180 days of retirement, that the employee did not receive a retirement incentive upon retirement and that one or more of the following is true:
  - i. that the employee is a public safety officer or firefighter, and that the re-employment is for the performance of functions regularly performed by a public safety officer or firefighter; or
  - ii. that the re-employment is necessary to fill a critically needed position before 180 days have passed, and has been approved by the governing body of the employer in a public meeting on the non-consent calendar.
- e. Certification that the employee has not, during the twelve months prior to re-employment, received any unemployment insurance compensation arising out of the employee's prior employment with an SBCERA participating employer.
- f. That the employee will not work more than 960 hours in any fiscal year ending June 30.
- g. That the employee's pay during re-employment will be not less than the minimum, nor greater than the maximum, paid to other employees performing comparable job duties.
- h. That the employee understands that while SBCERA and the employer will cooperate with the employee and with one another to facilitate compliance, compliance is ultimately the employee's responsibility, and failure to

comply with the requirements of Government Code sections 7522.56 and 31680.6, as implemented through this Policy, may, at the discretion of the Board of Retirement (Board), result in the following, effective on the date upon which the re-employment ceased to be in compliance with those sections:

- i. Reinstatement of the employee to active membership status, with a suspension of any retirement benefit payments;
  - ii. A requirement that all retirement benefit payments received during any unlawful re-employment be returned to SBCERA, with interest;
  - iii. The collection by SBCERA from both the employee and employer, as applicable, of contributions on any pay received by the employee during any period of unlawful re-employment; and
  - iv. The employee earning a new benefit for the period of re-employment, pursuant to section 31680.7.
2. Re-employment will be presumed to be in compliance with the requirement that it be of "limited duration" if the limit on the duration of the re-employment is eighteen (18) months or less. If there is no specified ending date for the re-employment, or if the specified ending date is more than eighteen months from commencement of re-employment, the employer shall submit to SBCERA a statement explaining the limit on the duration of the re-employment. Such re-employment in excess of eighteen (18) months shall be considered of limited duration, despite having no stated ending date, only if all of the following are true:
  - a. Re-employment is necessary to enable the employer to continue effective operations in light of genuinely extreme necessity that is unavoidable or could not have been anticipated. The retiree's retirement shall not, in and of itself, be considered to have given rise to the extreme necessity to which this paragraph refers;
  - b. Re-employment is limited to the completion of a discrete quantity of genuinely limited work that one would expect to be completed at a foreseeable time;
  - c. The re-employment has been approved by the Board, either prior to its commencement or, if the extreme necessity requires commencement of

re-employment before Board approval can be sought, then at the first Board meeting thereafter at which the matter may be considered, pursuant to findings that all of the applicable requirements of section 7522.56 and of this policy have been complied with.

Such re-employment shall not be considered to be of limited duration if the re-employment is the functional equivalent of a permanent part-time position, or if the stated limit on the duration is such that the re-employment is effectively unlimited.

3. Retirees who have returned to work prior to the effective date of Issue No. 1.0 of this policy shall be treated as if their return to work commenced on the effective date of Issue No. 1.0 of this policy. Retirees who have returned to work, or who have submitted certification forms to SBCERA, after the effective date of Issue No. 1.0 of this policy but prior to the effective date of Issue No. 2.0 of this policy shall be treated in the manner provided for in Issue No. 1.0.
4. SBCERA staff shall monitor compliance with this policy through methods determined by the Chief Executive Officer (CEO) or designee, which may include, but shall not be limited to, the following:
  - a. Requiring employers to report to SBCERA when any re-employed retiree has worked at least 700 hours in any fiscal year ending June 30 or to provide SBCERA with access to the employer's payroll system in a manner that permits SBCERA staff to directly access such information;
  - b. Requiring employers to report when a re-employed retiree has less than six months' duration remaining on a period of re-employment that was commenced with a stated end-date, and any instance in which such an employee continues to work beyond the originally stated end-date, or in which the employer extends the originally stated end-date with an explanation of such extension;
  - c. Requiring documentation of compliance with any of the requirements of section 7522.56.
5. If genuine documentation regarding the re-employment of a retiree is submitted as required by this Policy and accepted by SBCERA as adequate at the time of the re-employment, this shall be considered conclusive evidence that the re-employment was commenced in compliance with applicable law. The CEO or

designee shall notify the employer in writing of the acceptance of the documentation required by this policy.

6. If the CEO or designee becomes aware that any retiree's re-employment is in violation of applicable law including but not limited to sections 7522.56 and 31680.6 of the Government Code, the matter shall be presented to the Board for a determination as to whether to suspend the re-employed retiree's retirement allowance and restore the member to active membership, the effective date of such action, the recovery of any improperly paid benefits, the collection of any contributions that may be owed, and any other appropriate action. The re-employed retiree shall be provided with a copy of all documents that form the basis of the recommendation no later than seven days prior to the Board meeting at which said action is to be taken. In the event the CEO or designee denies the request for re-employment without suspension of benefits, the member or the employer shall have the opportunity to appeal that decision to the Board pursuant to paragraph 3(b) of Board Benefits Policy No. 025 (Requests for Pension Benefits and the Presentation of Supporting Information). Action by the Board under this paragraph shall be reviewable in Superior Court of California County of San Bernardino as a final administrative action, pursuant to section 1094.6 of the California Code of Civil Procedure.



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By *Jamie Peithner*  
Chair of the Board

Subject: FELONY FORFEITURE OF BENEFITS

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## FELONY FORFEITURE OF BENEFITS

### SECTION I. PURPOSE AND SCOPE

The Public Employees' Pension Reform Act of 2013 (PEPRA) added two Felony Forfeiture Statutes applicable to all public employees as of January 1, 2013.

1. Government Code section 7522.72 applies to public employees who were first employed, appointed, or elected **before** January 1, 2013.
2. Government Code section 7522.74 applies to public employees who were first employed, appointed, or elected **on or after** January 1, 2013.

(Collectively, the statutes are referred hereinafter as the "Felony Forfeiture Statutes.")

Both Felony Forfeiture Statutes provide that when a public employee (Member) is convicted on or after January 1, 2013 by a state or federal trial court of any felony under the law it mandates forfeiture of benefits:

- (a) For conduct arising out of or in the performance of [the public employee's] official duties, in pursuit of the office or appointment [of the public employee], or in connection with obtaining salary, disability retirement, service retirement or other benefits. (Gov. Code §§ 7522.72, subdiv. (b)(1) & 7522.74, subdiv. (b)(1).)
- (b) If a public employee who has contact with children as part of his or her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties. (Gov. Code §§ 7522.72, subdiv. (b)(2) & 7522.74, subdiv. (b)(2).)

The result of the Member's conduct and subsequent conviction due to such conduct as described above, mandates that the Member forfeit accrued rights and benefits in any public retirement system he or she is a Member of at the time the felony is committed retroactive to the first commission date of the crime. After the forfeiture of benefits, a

Member cannot return to SBCERA covered employment and accrue further benefits in SBCERA. (Gov. Code §§ 7522.72, subdiv. (c)(1) & Gov. Code §§ 7522.74, subdiv. (c)(1).)

The Felony Forfeiture Statutes require SBCERA to return any employee contributions made by the Member on or after the earliest date of the commission of any felony described in subdivision (b) of Government Code section 7522.72. The return of any contributions will only be made on a qualifying distribution event as described in Government Code sections 7522.72, subdivision (d)(3) and 7522.74, subdivision (d)(3).

## **SECTION II. ROLES & RESPONSIBILITIES**

1. The Member and the prosecuting agency are required by law to notify the employer who employed the Member at the time of the commission of the felony within 60 days of the felony conviction and provide the employer all information required by the Felony Forfeiture Statutes. (Gov. Code §§ 7522.72, subdiv. (e)(1) § 7522.24, subdiv. (e)(1).)

2. The employer is required to notify SBCERA within 90 days of the Member's conviction. (Gov. Code §§ 7522.72, subdiv. (f) & 7522.24, subdiv. (f).) The employer, when notifying SBCERA of a conviction of the Member, will need to provide the following felony conviction information:

- a. Member's name and social security number;
- b. Termination date of employment;
- c. Earliest date of the commission of the felony;
- d. The court(s) in which the case was heard;
- e. The name and mailing address of the prosecuting agency (state and/or federal);
- f. Copy of communication received from the prosecuting agency;
- g. Description of the felony charges for which the Member was convicted;
- h. Date of conviction;
- i. Copy of court documents related to the Member's conviction/guilty plea;
- j. Statement of whether the felony offense was committed during the conduct or performance of the Member's job duties as described in Government Code sections 7522.72, subdiv. (b)(1) and (2) & 7522.74, subdiv. (b)(1) and (2).

3. Although the Felony Forfeiture Statutes require the employer to notify SBCERA of a Member's felony conviction, the media, third parties, or the Members themselves can notify SBCERA. When this occurs, SBCERA will reach out to the employer and ask for the felony conviction information listed in Section II (2)(a)-U).

### **SECTION III. PROCEDURE**

Upon receipt of notification from any source of a felony conviction of a SBCERA Member, but before the benefits are adjusted in accordance with the Felony Forfeiture Statutes, the Chief Executive Officer (CEO) or designee will investigate and analyze the matter in consultation with Chief Counsel or designee and determine whether the conviction violates one or more of the Felony Forfeiture Statutes and/or other applicable law.

The investigation will be based on felony conviction information received from the employer in Section II.(2) and any other information the CEO or designee and Chief Counsel or designee determines is necessary to discharge its obligation under the Felony Forfeiture Statutes. The SBCERA Board of Retirement (Board) may exercise its subpoena power (Gov. Code sec. 31535) for this purpose.

If the CEO, in consultation with Chief Counsel, determines that a Member's conviction of a felony arises out of the conduct of his or her public employment and falls under one of the Felony Forfeiture Statutes, then SBCERA will provide written notification to the Member, specifying the following:

- (i) The Felony Forfeiture Statute that applies to his or her SBCERA benefits;
- (ii) The first date of commission and date of conviction;
- (iii) Documentary support for the conclusion that such Felony Forfeiture Statute applies or does not apply;
- (iv) Showing how the forfeiture is calculated;
- (v) The effective date of the changes to the Member's benefit; and,
- (vi) Informing the Member has the right and the time to appeal the determination, in which the SBCERA Board will decide the case.

Changes and adjustments to the Member's benefit, including collection of overpayments, will occur no later than 31 days after the time for the Member to appeal has lapsed, or as soon thereafter as is feasible in light of the specific facts of the case. However, the disbursement of contributions will only occur on a qualifying distribution event. (Gov. Code §§ 7522.72, subdiv. (d)(3) & 7522.74, subdiv. (d)(3).) If contributions are returned to the Member as result of the applicability of the Felony Forfeiture Statutes and on a qualifying distribution event, SBCERA will notify the court and the district attorney at least three (3) business days before disbursement of funds. (Gov. Code §§ 7522.72, subdiv. (d)(2) & 7522.74, subdiv. (d)(2).)

The notice to the Member will include a copy of this policy.

#### **SECTION IV. APPEAL**

The Member is provided an opportunity to appeal the CEO's determination as specified in Section III of this policy. The Member has 60 days from the date of the CEO's written notification to appeal the decision to the SBCERA Board. If the Member does not appeal within the time prescribed, then on the 60<sup>th</sup> day from the date of the CEO's determination, SBCERA will make changes and adjustments to the Member's benefit as stated herein and required by the Felony Forfeiture Statutes.

In the event the Member appeals the CEO's determination as specified in Section III of this policy, the matter will be scheduled for determination by the SBCERA Board at a regularly scheduled meeting. Both SBCERA and the Member will have the opportunity to present evidence to the SBCERA Board; however, such evidence is required to be submitted no later than 14 days before the meeting in which this matter is scheduled to be heard. At such meeting, SBCERA will present its evidence, conclusion, and recommendation. The Member and his or her counsel, if represented, will be provided an opportunity to present to the SBCERA Board.

At this meeting, the SBCERA Board will take action on this matter based on the information presented. The SBCERA Board's decision is final as of the date the SBCERA Board took action on this matter. Judicial review of the SBCERA Board's final decision shall be subject to Code of Civil Procedure 1094.6. Following each decision, the CEO or designee shall send written notice of the Board's decision.





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**Approved:**

By: *Jamie Ruthoff*  
Chair of the Board

**Subject:** TRUSTEES EDUCATION/TRAINING POLICY

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**TRUSTEES EDUCATION/TRAINING POLICY**

**I. Purpose:**

The San Bernardino County Employees' Retirement Association (SBCERA or the Fund) is a public pension fund, and administration of the Fund is subject to strict fiduciary responsibilities under pension trust law. The policies set forth in this document are intended to comply with common law trust requirements and to reflect sensitivity to the Fund members and their beneficiaries on whose behalf the SBCERA Trustees serve.

SBCERA is a cost-sharing multiple-employer defined benefit pension fund. The SBCERA Board of Retirement (Board) has a constitutional and statutory duty to administer the Fund in a sound and prudent manner. The California Constitution vests in the SBCERA Board the exclusive responsibility to administer the Fund.

Trustees of the SBCERA Board (Trustees) shall be mindful of California state laws and regulations governing board member education, and extend every effort to synchronize their fiduciary duties with these state laws and regulations. Further, the Trustees shall be cognizant of their obligations to all Fund members of SBCERA to administer the Fund in a cost-effective manner, minimizing costs wherever possible without a loss of benefits to the Fund members.

The complexities of sound management of the assets and liabilities of the Fund impose a continuing educational need for Trustees: so that they may understand and apply complex legal writings and concepts; possess sound communication skills in order to express positions, opinions and ideas with conviction and clarity; develop analytical skills to understand investment policies, theory and practice; and finally, to enable Trustees to develop an understanding in public finance, accounting, labor relations, employee benefits, fiduciary obligations, governance, institutional investments, legal, disability and personnel administration, and a general awareness of information technology used to serve members.

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## II. Principles:

The SBCERA Trustees Education/Training Policy rests on the following important principles:

- There exists a unique body of knowledge that can be imparted to Trustees to facilitate the carrying out of their distinct roles and responsibilities.

Trustees are responsible for making policy decisions affecting all major aspects of pension fund administration. They, therefore, must acquire an appropriate level of knowledge of all significant facets of the Fund, rather than only specializing in particular areas.

- No single method of educating trustees is optimal. Instead, a variety of methods is necessary and appropriate.
- The SBCERA Trustees Education/Training Policy is intended to provide Trustees, after initial requirements are met, with discretion to determine those educational programs which best meet their needs as well as the objectives of this policy, as those needs change and new opportunities become available.

## III. Policy:

Each Trustee is required to obtain a minimum of 24 hours of education within two years of assuming office and for every subsequent two-year period, in which the Trustee continues to sit on the SBCERA Board, in the aspects of public pension fund administration, including, but not limited to the following areas:

- Fiduciary responsibilities.
- Ethics.
- Institutional investment program management.
- Actuarial matters.
- Pension funding.
- Benefits administration.
- Disability evaluation.
- Fair hearings.
- Pension Fund governance.
- New board member orientation.

## IV. Guidelines:

New Trustee Education: During the first year in office, new Trustees are required to obtain education credit for new board member orientation from the SBCERA Chief

Executive Officer (CEO) and senior staff or consultants. During the first two years, new Trustees are expected to attend one or more of the following and to receive education at: the State Association of County Retirement Systems (SACRS) Spring and Fall Conferences, the New Trustee Seminar; the California Association of Public Retirement Systems (CALAPRS) new trustee educational opportunities, including, Principles of Pension Management at Pepperdine; the Wharton School of the University of Pennsylvania; and the SACRS UC Berkeley Investment School.

Continuing Trustee Education: During every subsequent two-year period, Trustees shall obtain 24 hours of education through attendance at the SACRS Spring and Fall Conferences; completing educational opportunities offered by state or national public pension Fund organizations, and seminars sponsored by accredited academic institutions; attending educational client conferences presented by investment managers; making due diligence visits which address investment program management; attending webinars, watching videos or listening to recordings covering any topic in Section III above; or completing training offered by the SBCERA CEO and senior staff or consultants. Continuing education credits for the purpose of Trustee training/education may be live, webcast, video, or any other authorized mode of transmission, but the Board reserves the power to evaluate the appropriateness of specific training and education activities to meet the requirements of this Policy.

**V. Expense Policy:**

Trustees shall follow provisions and guidelines of the Trustee Travel and Expense Policy (Education & Training Policy No. 003).

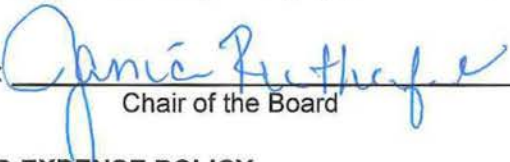
**VI. Documentation:**

Each Trustee will provide proof of compliance with this policy by submitting a Verification of Trustee Education/Training form to the SBCERA CEO, and the CEO will provide an annual report of board member compliance to the Board, and such report along with this policy will be placed on the SBCERA public website.



**POLICY NO.** 002 **Issue No.** 6.0  
**Committee:** Admin Committee **Effective Date:** 05/02/2019  
**Policy Category:** Education & Training **Page(s):** 6

**Approved:**

By:   
Chair of the Board

**Subject: STAFF EDUCATION/TRAINING, TRAVEL AND EXPENSE POLICY**

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## **STAFF EDUCATION/TRAINING, TRAVEL AND EXPENSE POLICY**

### **Policy Objectives**

The San Bernardino County Employees' Retirement Association (SBCERA or the Plan) is a public agency charged with administering a public pension trust fund. The agency and the Plan are subject to restrictive fiduciary standards established under pension trust law. The policies set forth in this document are intended to comply with common law trust requirements and Internal Revenue Code (IRC) statutes regulating travel reimbursements. SBCERA staff (Staff) action should reflect sensitivity to the Plan members and their beneficiaries on whose behalf the Staff serve, as well as the government entities who underwrite the Plan.

In order to enhance their ability to conduct operations and administration aspects of the Plan, the Staff regularly attend educational meetings, conferences and seminars related to the business of the Plan. This policy governs the approval of training and travel requests, the appropriateness of such educational forums, and reimbursement or direct payment by SBCERA of reasonable actual and necessary expenses incurred by Staff when traveling on SBCERA business.

### **Education Requirements**

With the approval of the respective department Chiefs and the Chief Executive Officer (CEO), and within approved budgets, staff is encouraged to participate in appropriate conferences and training in furtherance of SBCERA's core business goals, strategic plan and priorities. Such training may include attendance at the California Association of Public Retirement Systems (CALAPRS) overview and advanced courses in retirement plan administration, CALAPRS roundtables, or industry or role-specific training including, but not limited to, Government Finance Officers Association, Public Pension Financial Forum, National Association of Public Pension Attorneys, and the International Foundation of Employee Benefit Plans.

Staff shall meet all required regulatory training requirements such as required harassment training and/or ethics/fraud prevention.

Certain positions carry specific professional designations and certifications that are required for the position or carry significant benefit for the Plan. Therefore, continuing professional education is supported by SBCERA to maintain those required designations, upon approval of the CEO. Examples of certifications include, but are not limited to, Certified Financial Analyst (CFA), Certified Public Accountant (CPA), Licensed Attorney, Certified Employee Benefits Specialist (CEBS), Project Management Professional (PMP), Notary Public and Certified Governmental Financial Manager (CGFM).

### **Approvals**

Staff requests for education/training and travel, within the continental United States, shall be approved by the CEO or designee. Requests shall include all expected expenses including but not limited to airfare, registration fees, lodging, meals, transportation and any other expenses. Expenses should not be incurred until the travel has been approved.

The CEO's travel requests within the continental United States must be approved in advance by the Board Chair and Chief Counsel. The CEO's travel and expense reimbursement for education-related travel will be included with the quarterly Board report, which shall be placed on a public agenda for the Board to ratify the expenses incurred. (This report is described in more detail in Education and Training Policy No. 003 – Trustee Travel and Expense Policy).

Any travel for education outside of the continental United States must be approved in advance by the SBCERA Board of Retirement, on a publicly noticed agenda.

### **Travel and Reimbursement Guidelines**

The Chief Financial Officer is responsible for ensuring that all travel and expense reimbursements are in accordance with established guidelines and laws; the Chief Executive Officer may approve expenses outside of guidelines in limited circumstances in which the expenses incurred were necessary and benefit SBCERA.

The SBCERA Administrative office, or designated department assistants, are responsible for the central booking of conferences, travel and lodging reservations for staff once approvals have been secured, as well as any resulting cancellations thereof.

Airfare:

SBCERA will reimburse the cost of a basic coach ticket and one piece of baggage. SBCERA recognizes that airlines are increasing the use of special fees and baggage charges, and such may be reimbursed with the approval of the CEO. Domestic and international travel should be booked in advance, when possible, at coach or lowest fare rates; the benefit of locking in a fare should be weighed against the risk of having to make changes in travel plans with additional costs or fees. Business class airfares are allowed if the air travel will be in excess of six (6) hours.

Lodging:

Staff is encouraged to stay at the conference hotels, where possible. Transportation, availability, convenience and safety may all be a basis for lodging decisions. Expense costs, including lodging and meals, for extra days prior to or after a conference/meeting will be reimbursed if such extension results in lower overall trip costs or is necessitated by the conference/meeting schedule or available flights. Staff shall provide documentation of such costs, and seek advance approval from the CEO. Costs for Wi-Fi are reimbursable, when connectivity is required.

Mileage and Other Transportation Costs:

Mileage will be reimbursed based on the standard mileage rates for business miles, as determined by the Internal Revenue Service. Mileage is calculated as follows:

1. If Staff travels from/to the SBCERA office to/from a business destination, the mileage is calculated from/to the SBCERA office to/from the business destination.
2. If Staff travels from/to their designated home location directly to/from a business destination other than the SBCERA office, the mileage is calculated from/to their home to/from the business destination, less the Staff's normal commuting miles, each way. SBCERA does not reimburse Staff for commuting miles (miles drive from/to the designated home location to/from the SBCERA office). Commuting miles shall not be deducted from the gross mileage if travel occurs on a holiday outside Staff's regularly scheduled work days.
3. Mileage reimbursement is considered to cover all expenses of operating a vehicle, including insurance, maintenance, tires, oil, etc. Mileage does not include parking or toll charges, the actual cost of which is reimbursable with a receipt, where possible.
4. Staff receiving an auto allowance shall not be reimbursed by SBCERA for mileage.

Staff will be reimbursed for reasonable and necessary transportation costs such as public transportation, taxis, ride-sharing services such as Uber or Lyft, and car service.

Meals:

Staff may seek reimbursement for meals at either a per diem rate, or by actual expense. Per diem rates were last updated on January 1, 2016 at the rate of \$17 for breakfast, \$18 for lunch, and \$34 for dinner. The Chief Financial Officer will annually review the per diem rates and propose adjustments (in line with Internal Revenue Service guidelines) to the CEO and Board Chair for approval.

1. SBCERA will not reimburse for business meals that are lavish or extravagant. The cost of the meal must be reasonable based on the facts and circumstances. SBCERA acknowledges that some travel destinations have much higher expenses for meals; the CEO is authorized to approve such expenses.
2. Where seeking reimbursement for actual expenses, itemized receipts, with a listing of food and beverages, is required. Alcohol will not be reimbursed. Claims not accompanied by an itemized receipt may be approved in the CEO's sole discretion, or in the case of the CEO, by the Board Chair. A meal gratuity of 15% to 20% is generally considered a reasonable amount, which is reimbursable as part of the cost of the meal.
3. In the absence of special circumstances or meal restrictions, as determined by the CEO, a meal will not be reimbursed if that meal was provided at a hosted function, such as meals included with event attendance. However, if attending an event and only a continental breakfast or a reception is provided, such is not considered a meal and reimbursement may be claimed.
4. Meals incurred relating to business or education at which no overnight stay is required are reimbursable only by actual cost. Reimbursement for the actual cost of breakfast and/or dinner is allowed if justification is submitted showing the business day was at least one and a half (1.5) hours earlier or later, respectively, than the Staff's normal working day.

Incidentals:

Any incidental expenses (such as tips for porters, baggage carriers, bell staff or housekeeping staff, or for snacks or non-alcoholic beverages), incurred during SBCERA business travel are reimbursable up to \$20 per day. Receipts are not required. Reimbursable incidental expenses do not include expenses for laundry, cleaning and pressing of clothing, personal reading materials, etc.

Impermissible Expenses:

Movies, alcohol, mini-bar, entertainment, personal items, companion expenses and other non-essential services will not be reimbursed.

Reimbursement:

Upon completion of a meeting, seminar, conference, due diligence meeting or speaking engagement, Staff shall complete a claim for the business-related expenses within thirty (30) days of the conclusion of the travel. Reimbursements submitted after thirty (30) days must be approved by the CFO and CEO. Late reimbursement requests or credit card justifications may be required to be reported as taxable income to the Staff member.

In order to receive reimbursement for valid business expenses, the request must meet all of the following requirements:

1. Must be a business reason for the expense and must have paid for the expense while performing services as a Staff member of SBCERA.
2. Must adequately and clearly account to SBCERA for these expenses by including the business purposes and names of attendees. Itemized receipts are required for all business expenses incurred, except where obtaining an itemized receipt is not possible, such as a gratuity, or for per diem meals noted above. The CEO may approve an expense if a receipt was lost.
3. SBCERA generally does not provide advances to Staff for travel. However, if Staff will incur an undue hardship due to the business travel, the CEO may approve an advance for estimated business expenses, only if an SBCERA issued business credit card is not available for payment of such expense. The amount of an advance shall be limited to reasonable allowable expenses which are anticipated to be incurred during such trip. Where applicable, the Staff member must return any amount advanced in excess of actual business expenses within thirty (30) days of the conclusion of the travel.

Frequent Flier or Guest Loyalty Programs:

Staff may retain the frequent flier or guest loyalty program points earned while traveling for SBCERA. However, flights and hotels should be selected solely on the basis of meeting the needs of SBCERA, without regard to loyalty program relationships. If a Staff member redeems miles for business travel, such value will not be reimbursed by SBCERA.



**Use of an SBCERA Issued Business Credit Card**

Certain staff will be issued an SBCERA business credit card at the CEO's discretion. Charges to the card shall be for business purposes only.

Credit card justification statements must be completed and submitted by the card users for all charges no later than thirty (30) days after the expenses were incurred. Cards shall be de-activated if justification statements are not submitted within sixty (60) days after the expenses were incurred, and shall not be re-activated until all outstanding justification statements have been submitted and approved as reasonable and necessary. In the absence of such submission, the Staff member shall reimburse SBCERA for all charges.

Staff members failing to submit a credit card justification and/or reimbursement for non-business charges on a credit card may result in disciplinary action.



**POLICY NO.** 003 **Issue No.** 4.0  
**Committee:** Admin Committee **Effective Date:** 11/07/2019  
**Policy Category:** Education & Training **Page(s):** 7

**Approved:**

By:   
Chair of the Board

**Subject: TRUSTEE TRAVEL AND EXPENSE POLICY**

## TRUSTEE TRAVEL AND EXPENSE POLICY

### Policy Objectives

The San Bernardino County Employees' Retirement Association (SBCERA or the Fund) is a public agency charged with administering a public pension trust fund. The objectives of this policy are to:

- a. Ensure all Trustees gain the knowledge necessary to carry out their fiduciary responsibilities;
- b. Ensure Trustees possess shared knowledge relevant to pension administration and the investment of trust assets to enable effective group discussion, debate and informed decision making;
- c. Acknowledge that SBCERA's significant use of alternative investments may give rise to additional training needs in order for Trustees to make informed policy decisions to fulfill their responsibilities;
- d. Set forth the guidelines for approved travel and education, and qualifying travel expenditures;
- e. Set forth Brown Act requirements or limits on numbers of attendees at a single educational forum or due diligence meeting;
- f. Mitigate risk of impropriety (perceived or actual) that could arise from business-related travel;
- g. Balance transparency and accountability with administrative efficiencies; and
- h. Focus travel efforts on gaining knowledge that is consistent with the Board's role as a high level, policy setting, and oversight body.

This policy governs the approval of training and travel requests, the appropriateness of such educational forums, and reimbursement or direct payment by SBCERA of reasonable actual and necessary expenses incurred by a Trustee when traveling on SBCERA business, as outlined in the TRUSTEES EDUCATION/TRAINING POLICY No. 001.

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## Education and Training Travel Approvals

### Pre-Authorized Travel for Education and Training:

Educational training opportunities offered through the following organizations are pre-authorized for attendance within established and approved expense parameters/guidelines, set forth below.

- a. California Association of Public Retirement Systems (CALAPRS);
- b. State Association of County Retirement Systems (SACRS);
- c. National Conference on Public Employee Retirement Systems;
- d. Institutional Investor;
- e. Pension & Investments;
- f. Government Finance Officers Association of the U.S. and Canada;
- g. International Foundation of Employee Benefit Plans;
- h. Pension Real Estate Association;
- i. Public Funds Forum;
- j. NEPC;
- k. The Wharton School;
- l. Pension Bridge;
- m. California Retired County Employees Association; and
- n. National Association of State Retirement Administrators.

Travel associated with such pre-authorized conferences, forums or events should be coordinated through the Administrative Office at SBCERA for the purposes of making travel arrangements and reporting. The Administrative Office will provide a calendar of pre-authorized educational opportunities on a regular basis to all Trustees, and will coordinate attendance to ensure that the Brown Act limitations noted below are not violated.

### Travel and Related Expenses that are Not Permitted:

Certain types of events are not eligible for expense reimbursement, or to attend at the expense of SBCERA, including:

- a. Purely social or ceremonial events that are not pre-approved by the Board on a public agenda; and
- b. Political meetings.

### Other Travel:

Any conference, forum or event that is neither on the pre-authorized list nor on the list that is ineligible for expense reimbursement must be placed on the Board's agenda for

approval in advance of the travel, with a finding that such conference, forum or event benefits the organization.

1. A trustee wishing to attend such a conference, forum or event shall submit a travel request to the Chief Executive Officer (or his/her designee) in a timely fashion for inclusion on the next Board meeting agenda. The agenda will include the name(s) of those wishing to attend as well as the estimated expenses associated with the travel, including airfare, lodging, registration fees, meals and other expenses (such as parking or transportation).
2. The Board's practice is to encourage requests for approval before an expenditure is incurred, but recognizes that post-expenditure approvals may be necessary on an infrequent non-recurring basis. In such instances, approval may be requested at the next immediate board meeting at which it is practical to agendaize the requests after the travel has occurred. If such expenses are not approved, and an SBCERA corporate credit card was used for such expense, the trustee shall reimburse SBCERA for any charges within 30 days.
3. International travel (to any location beyond the borders of the United States) is permitted for Trustees, however attendance should be limited to educational training that is not available domestically, or when the information is not accessible through the SBCERA staff, consultants, investment managers or other research sources. In approving international educational travel, the Board shall make findings that the international travel meets these requirements.

### **Brown Act Limitations on Trustee Travel**

With the exception of events hosted by SACRS or CALAPRS, the Board shall generally limit educational training and travel to no more than four SBCERA Trustees at an event, forum or conference. In the event that more than four Trustees wish to attend the same event, the Board Chair shall determine the attendees in his/her sole discretion. In no event shall such attendance be permitted where it would cause a quorum of the Board to engage in a "meeting" in violation of the Brown Act.

### **Due Diligence Travel Approvals**

On an annual basis, staff will publish a schedule for investment due diligence-related travel on a public agenda, with cost estimates for associated travel costs per person. Such travel is considered necessary to carry out the Trustees' fiduciary responsibilities, and is pre-authorized within the Travel Guidelines set forth below. In no event shall more than four Trustees be permitted to attend any such meeting due to Brown Act limitations.

## Travel Guidelines

The Chief Financial Officer is responsible for ensuring that all travel and expense reimbursements are in accordance with established guidelines and laws; the Chief Executive Officer may approve expenses outside of guidelines in limited circumstances in which the expenses incurred were necessary and benefit SBCERA.

The SBCERA Administrative office is responsible for the central booking of conferences, travel and lodging reservations for the Trustees, as well as any resulting cancellations thereof. To arrange for travel plans, Trustees should, as soon as practicable after the proposed travel is identified, contact the Administrative office with dates of travel.

### Airfare:

SBCERA will reimburse the cost of a basic coach ticket and one piece of baggage. SBCERA recognizes that airlines are increasing the use of special fees and baggage charges, and such may be reimbursed with the approval of the Board Chair or the CEO. Domestic and international travel should be booked in advance, when possible, at coach or lowest fare rates; the benefit of locking in a fare should be weighed against the risk of having to make changes in travel plans with additional costs or fees. Business class airfares are allowed if the air travel will be in excess of six (6) hours.

### Lodging:

Trustees are encouraged to stay at the conference hotels, where possible. Transportation, availability, convenience and safety may all be a basis for lodging decisions. Expense costs, including lodging and meals, for extra days prior to or after a conference/meeting will be reimbursed if such extension results in lower overall trip costs or is necessitated by the conference/meeting schedule or available flights. Costs for Wi-Fi are reimbursable, when connectivity is required.

### Mileage:

Mileage will be reimbursed based on the standard mileage rates for business miles, as determined by the Internal Revenue Service. Mileage is calculated as follows:

1. Since Trustees do not maintain a workplace at SBCERA's offices, if the Trustee travels to/from their designated home location directly to/from a business destination, the mileage is calculated to/from their home and business destination. Mileage reimbursement shall be paid for Trustees' travel to the SBCERA office for agenda meetings and other business purposes.
2. Mileage reimbursement is considered to cover all expenses of operating a vehicle, including insurance, maintenance, tires, oil, etc. Mileage does not

include parking or toll charges, the actual cost of which is reimbursable with a receipt, where possible.

3. Trustees who are employed by a participating SBCERA employer and who are assigned an employer vehicle or receive a mileage allowance shall not be reimbursed by SBCERA for mileage.

#### Meals:

Trustees may not receive per diem reimbursements for meals, as all expenses must be accompanied by receipts documenting each expense [California Government Code Section 53232.3]. Reimbursement will be by actual cost, and consistent with the following criteria:

1. SBCERA will not reimburse for business meals that are lavish or extravagant. The cost of the meal must be reasonable based on the facts and circumstances. SBCERA acknowledges that some travel destinations have much higher expenses for meals; the CEO is authorized to approve such expenses.
2. Itemized receipts, with a listing of food and beverages, is required. Alcohol will not be reimbursed. Claims not accompanied by an itemized receipt may be approved in the CEO's sole discretion. A meal gratuity of 15% to 20% is generally considered a reasonable amount, which is reimbursable as part of the cost of the meal.
3. In the absence of special circumstances or meal restrictions, as determined by the CEO, a meal will not be reimbursed if that meal was provided at a hosted function, such as meals included with event attendance. However, if attending an event and only a continental breakfast or a reception is provided, such is not considered a meal and reimbursement may be claimed.

#### Incidentals:

Any incidental expenses (such as tips for porters, baggage carriers, bell staff or housekeeping staff, or for snacks or non-alcoholic beverages), incurred during SBCERA business travel are reimbursable up to \$20 per day. Receipts are not required. Reimbursable incidental expenses do not include expenses for laundry, cleaning and pressing of clothing, personal reading materials, etc.

#### Impermissible Expenses:

Movies, alcohol, mini-bar, entertainment, personal items, companion expenses and other non-essential services will not be reimbursed.

Reimbursement:

Upon completion of a meeting, seminar, conference, due diligence meeting or speaking engagement, the Trustee shall complete a claim for the business-related expenses within thirty (30) days of the conclusion of the travel. Reimbursements submitted after thirty (30) days must be approved by the CFO and CEO. Late reimbursement requests or credit card justifications may be required to be reported as taxable income to the Trustee.

In order to receive reimbursement for valid business expenses, the request must meet all of the following requirements:

1. Must be a business reason for the expense and must have paid for the expense while performing services as a Trustee of SBCERA.
2. Must adequately and clearly account to SBCERA for these expenses by including the business purposes and names of attendees. Itemized receipts are required for all business expenses incurred, except where obtaining an itemized receipt is not possible, such as a gratuity. The CEO may approve an expense if a receipt was lost.
3. Where applicable, must return any amount advanced in excess of actual business expenses within thirty (30) days of the conclusion of the travel.

Frequent Flier or Guest Loyalty Programs:

Trustees may retain the frequent flier or guest loyalty program points earned while traveling for SBCERA. However, flights and hotels should be selected solely on the basis of meeting the needs of SBCERA, without regard to loyalty program relationships. If a Trustee redeems miles for business travel, such value will not be reimbursed by SBCERA.

**Use of an SBCERA Issued Business Credit Card**

All Trustees will be issued an SBCERA business credit card. A Trustee may decline to accept such card. Charges to the card shall be for business purposes only.

Credit card justification statements must be completed and submitted by the card users for all charges no later than thirty (30) days after the expenses were incurred. Cards shall be de-activated if justification statements are not submitted within sixty (60) days after the expenses were incurred, and shall not be re-activated until all outstanding justification statements have been submitted and approved as reasonable and necessary. In the absence of such submission, the Trustee shall reimburse SBCERA for all charges.

In the event a Trustee's credit card has been de-activated three times in a twelve month period, the card shall not be re-activated until the Board Chair or the CEO reports such to the Board and obtains Board authorization to re-activate the card.

### **Reporting Transparency**

Trustees shall report the content and quality of the educational training and investment due diligence meetings attended at the next Board meeting, which report may be oral or written.

On a quarterly basis, staff will summarize the expenses associated with all Trustee travel and expense reimbursement and place the report on a public agenda, for the Board to ratify the expenses incurred. The summary shall identify major expense categories, such as airfare, lodging, registration fees, meals and other expenses, to provide transparency of the expenses being incurred.





**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

004  
Executive Committee  
Education & Training

**Issue No.** 2.0  
**Effective Date:** 06/06/2019  
**Page(s)** 5

By:   
Chair of the Board

**Subject: GIFTS OF FOOD AND DRINK POLICY**

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## **GIFTS OF FOOD AND DRINK POLICY**

The San Bernardino County Employees' Retirement Association (SBCERA) is a public trust, and administration of this retirement system is subject to strict fiduciary responsibilities under the law regarding trusts and public agencies. The policy set forth establishes compliance with the reporting of gifts, prohibition on acceptance of honoraria, unless an exception applies, and acceptance of gifts intended to be used for official SBCERA business purposes by a SBCERA representative.

The following is intended to be a procedural guideline that will enable the Trustees and staff to maintain high ethical standards and exercise fiscal prudence on behalf of the Trust, while also continuing to have access to events where, for educational, due diligence, or other reasons, their attendance is in the best interest of the Trust and its members and beneficiaries.

This policy is intended to be consistent with, and complementary to, the Board's existing policies on Trustee Education and Training, Staff Education and Training, Trustee Expenses, and Ethics, and with the Political Reform Act and the regulations thereunder addressing these same topics.

### **I. Gift Definition. General Rule**

Gifts received by a person in a designated position under SBCERA's Conflict of Interest Code may be subject to reporting requirements and limitations by various regulations and laws.<sup>1</sup> A gift is generally any payment or thing of value, including meals and travel, for which the recipient did not provide equal or greater consideration in return, subject to certain exceptions. Reporting is required when a gift is received from a single source with a combined total equal to or greater than \$50 in a calendar year. Gifts to family members are included in the gift rules under certain circumstances. There are also exceptions to the gift rules under certain circumstances; questions should be addressed SBCERA's Legal Office.

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<sup>1</sup> Political Reform Act (Government Code section 81000 et seq.); Fair Political Practices Commission (FPPC) Regulations, Cal. Code Regs., title 2, section 18940 et seq.; Government Code section 1090 – Conflict of Interest; SBCERA Conflict of Interest Code; and Internal Revenue Code.

a. Who is a Designated Filer?

For purposes of this policy, a Designated Filer is a Trustee or staff member, whose position is listed in SBCERA's Conflict of Interest Code. Generally, the Designated Filer is one been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests. A Designated Filer may not accept any gifts from one source that is the limit or in the excess of the limit for the calendar year.<sup>2</sup> All SBCERA staff must comply with the disqualification rules even if they are not a Designated Filer or even if they do not have to report acceptance of a gift.

b. Reporting of Gifts on Form 700 Statement of Economic Interest.

Designated Filers, pursuant to SBCERA Conflict of Interest Code, are required to track the value of any gifts received in each calendar year. In addition, a Designated Filer must disclose/report on their Statement of Economic Interest (Form 700) gifts over \$50 or more in value from a single source.

c. Disqualification Rule

No public official may make, participate in making or in any way use or attempt to use his/her official position to influence a governmental decision in which he or she knows or has reason to know he or she has a disqualifying financial interest.<sup>3</sup> All Designated Filers must remember that receipt of a gift could trigger disqualification regardless of whether the person has an obligation to report the gift on his or her Form 700.

d. Prohibition on Acceptance of Honoraria

Honorarium means any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.<sup>4</sup> A Designated Filer is prohibited from receiving honoraria from any source if receipts of gifts from that source are required to be disclosed on Form 700. There are exceptions to the honoraria rules; questions should be addressed to SBCERA's Legal Office.<sup>5</sup>

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<sup>2</sup> The Fair Political Practices Commission (FPPC) sets the aggregate limit annually.

<sup>3</sup> Government Code section 1090.

<sup>4</sup> Government Code section 89501 (a).

<sup>5</sup> Government Code section 89502 (c). Exception to the prohibition on receiving honoraria: (a) payment that would be excluded from the definition of a gift, such as food and nominal items; (b) complimentary admission to an event or the cost of a meal as long as the cost of the meal does not trigger disclosure or disqualification; and (c) payment for services in connection with a separate "bona fide profession."

## **II. Gift to Agency**

Under limited circumstances, a “payment”<sup>6</sup> or a “payment of travel” made to SBCERA by an outside source that is used by an SBCERA employee to conduct SBCERA business may not be treated as a gift or income by the Designated Filer who uses it as long as certain criteria are met as discussed below. (Hereinafter referred to as a Gift to the Agency.) In this situation, SBCERA may report the payment or travel payment on a Form 801 instead of the designated filer reporting the payment on his or her Form 700.

1. Regarding a Gift to the Agency for Trustees, the Board of Retirement shall be designated as the Agency Head. Regarding a Gift to the Agency for SBCERA staff, the Chief Executive Officer shall be designated as the Agency Head.
2. The Agency Head respectively shall determine the control of SBCERA’s use of the Gift to the Agency including the selection of the SBCERA official who will use the payment.
3. Receipt of such payment must be in accordance with the definition of SBCERA’s Official Agency Business as attached.
4. The donor must make the payment directly to or coordinates with the Agency Head or designee and not with the employee who will likely use the payment.
5. The person selected to attend may accept food for attendance at the event where food is provided as part of the admission of the event. All other payments for food must be made to SBCERA pursuant to SBCERA’s Travel Policy.

## **III. Other Related Information Concerning Gifts**

a. Travel, lodging, and meals pre-authorized or approved by the Board and/or Chief Executive Officer in relation to Education/Training, Travel, and Expense Policies and paid for by SBCERA via an SBCERA issued credit card or reimbursement will be deemed an expense of SBCERA and not reportable as a gift by the Designated Filer.

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<sup>6</sup> Government Code section 82044 – “Payment” means a payment, distribution, transfer, loan, advance, deposit, gift or other rendering of money, property, services, or anything else of value, whether tangible or intangible.

b. Regarding non-official SBCERA business or unapproved travel, lodging, events, and meals unrelated to the Designated Filers official responsibilities of SBCERA and/or impermissible expenses incurred as referenced in the Education/Training, Travel, and Expense policies, the Designated Filer is personally responsible for expenses incurred or if paid by a third party may be subject to reporting on the Designated Filer's Form 700.

c. Trustees and staff are prohibited from accepting any gifts from anyone who is doing or is seeking to do business or any kind with SBCERA when the gift is offered with a view toward securing favorable treatment in the awarding of any contract, agreement, or the making of any determination.

All rules relating to gifts, honoraria, and travel are subject to change by the Fair Political Practices Commission and other authority. Trustees and SBCERA staff are encouraged to read the Fair Political Practices Commission's Limitations and Restrictions on Gifts, Honoraria, Travel and Loans for further guidance and/or direct questions to SBCERA's Legal Office.

[Remainder of Page Intentionally Left Blank]

**Official SBCERA Business Shall Mean:**

1. Used for a legitimate governmental purpose and must assist the agency in carrying out its mission, programs, or goals. The payment may not be for an activity unrelated to the official responsibilities of the agency.
2. Travel payment is set forth in a contract.
3. The official provides training or educational information directly related to duties of the agency and for individuals who are affected by those laws administered by the agency.
4. Attendance at an educational conference directly related to the governmental employer's functions or duties under the laws that it administers, and the official is a named presenter at the conference, and the payment is made by organizers of the event.
5. Receipt of training directly related to the official's duties and the payment is provided by an organization that commonly provides such training.
6. Food provided to all attendees at a working group meeting in which the agency official participates as a representative in a working group under his or her official assigned job duties.
7. Required travel to attend a location to view an in-place operation, structure, facility, or available product where the viewing would substantially enhance an official's knowledge and understanding in making an informed decision to enter into a contract regarding a similar operation, structure, facility or purchase of a product pursuant to the jurisdictional authority of the official's governmental employer.



<b>POLICY NO.</b>	001	<b>Issue No.</b>	2.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/01/2018
<b>Policy Category:</b>	Actuary & Audit	<b>Page(s)</b>	1
<b>Approved.</b>	By: <u><i>Louis Fiorino</i></u> Chair of the Board		

**Subject:           AUDIT POLICY – ACTUARIAL AUDIT**

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**AUDIT POLICY – ACTUARIAL AUDIT**

The Board will audit the primary actuary's valuation, and experience study, if applicable, at least every five years. In addition, a full actuarial audit would be required any year in which a new primary actuary completed their first valuation; and in any year impacted by substantial benefit changes or policy changes.



<b>POLICY NO.</b>	002	<b>Issue No.</b>	3.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/01/2018
<b>Policy Category:</b>	Actuary & Audit	<b>Page(s)</b>	6
<b>Approved.</b>	By: <u><i>C. J. Forino</i></u> Chair of the Board		

**Subject: INTEREST CREDITING PROCEDURES AND UNDESIGNATED EXCESS EARNINGS ALLOCATION**

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**INTEREST CREDITING PROCEDURES AND UNDESIGNATED  
EXCESS EARNINGS ALLOCATION**

**PURPOSE STATEMENT**

The procedures and policies outlined by this document are intended to set forth the parameters and methodology of distributing earnings to valuation and non-valuation reserves, and to illustrate excess earning priorities.

**GOVERNING LAW**

SBCERA is governed by provisions of the County Employees' Retirement Law of 1937, as well as other federal, and State laws relating to public retirement systems.

Article 5 of the County Employees' Retirement Law of 1937 governs excess earnings.

**GENERAL OBJECTIVES**

1. Distribute Available Earnings to valuation assets. Valuation assets must initially be credited with all interest from investment proceeds up to the Board adopted interest rate.
2. Distribute Available Earnings in excess of those credited to Valuation Reserves to valuation asset shortfalls incurred in previous years as measured by the Contra Account.
3. Set aside 3% of the market value of assets as contingency reserves for future losses.
4. Distribute Undesignated Excess Earnings to Employer Current Service Reserve (County Advance Reserve), maintain as an Additional Contingency Reserve, or hold as Undesignated Excess Earnings.

## **INTEREST CREDITING PROCEDURES**

### **STEP 1**

Determine Available Earnings (AE) for each fiscal year as the sum of:

1. Actual earnings of the retirement fund based on the actuarial value of assets, expressed in dollars. This could be a negative amount.
2. Prior year's ending balance in the Restricted Balance Reserved for Deficiencies (RBRD).
3. Prior year's ending balance in the Additional Contingency Reserve (ACR).

### **STEP 2**

Credit interest to Member Deposit Reserve (MDR):

1. Apply Member Crediting Rate (MCR) to prior MDR, and credit MDR with this MDR Interest amount.
2. Deduct MDR Interest from AE. If AE is not sufficient, increase the Contra Account by the amount of the shortfall. The Contra Account applies to the Employer Current Service Reserve.

### **STEP 3**

Credit interest on other Valuation Reserves (i.e. other than MDR):

1. Valuation Reserves may include a Contra Account when historical earnings have been below the Actuarial Assumed Investment Rate of Return (AAIRR). Apply interest to Valuation Reserves at the AAIRR based on the net total actual reserves including the Contra Account (which applies as an offset against the Employer Current Service Reserve).
2. If AE are insufficient for #1 above, increase the Contra Account by the amount of the shortfall.

### **STEP 4**

Make-up Credit for Annuity Reserve:

The Make-up Credit is the excess of the Valuation Rate over the Member Crediting Rate, times the prior MDR.

1. Transfer the Make-up Credit, if any, from AE to the Annuity Reserve. If AE is not sufficient, increase the Contra Account by the amount of the shortfall.



**STEP 5**

Restore Contra Account:

1. If AE exist after Step 4 above, credit the Contra Account with remaining AE until Contra Account balance is zero.

**STEP 6**

Restore RBRD and ACR:

If AE exist after Step 5 above, restore both the RBRD and the Additional Contingency Reserve (ACR) to target levels:

1. Transfer from AE into the RBRD an amount to bring the RBRD to 1% of Market Value, but not more than the Available Earnings remaining from Step 5.
2. Transfer from AE into the ACR an amount to bring the ACR to 2% of Market Value, but not more than the Available Earnings remaining from #1 above.
3. If the transfers in #1 and #2 above do not bring the RBRD to 1% of Market Value and the ACR to 2% of Market Value, but there is a balance in Undesignated Excess Earnings, then transfer from Undesignated Excess Earnings an amount sufficient first to bring the RBRD up to the 1% of Market Value target and then to bring the ACR up to the 2% of Market Value target.

**UNDESIGNATED EXCESS EARNINGS ALLOCATION POLICY**

The dollar value remaining after Step 6 is considered Undesignated Excess Earnings. The following options are established by the Board. All allocations of Undesignated Excess Earnings require Board action.

**STEP 7**

Allocate remaining AE to Undesignated Excess Earnings:

The following options represent possible uses of Undesignated Excess Earnings with no pre-assigned priority:

1. Distribute Undesignated Excess Earnings to the ACR.  
This action would increase the ACR above the 2% Market Value target. Such an action might be taken if losses are foreseeable in the future.

2. Improve the funded status of the current statutory benefit.

If available, transfer from Undesignated Excess Earnings to Valuation Reserves all or a portion of an amount equal to any Unfunded Actuarial Accrued Liability. This would commit excess earnings to the full funding of statutory benefits.

## **GLOSSARY**

### **Actuarial Terms and Definitions**

The following list defines certain technical terms relevant to the Interest Crediting Procedures and Excess Earnings Policy for the convenience of the reader:

#### **Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain, and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of market gains and losses to avoid significant swings in the value of assets from one year to the next.

#### **Actuarial Assumed Investment Rate of Return:**

The rate of investment yield that the Plan is assumed to earn over the long-term future.

#### **Actuarial Value of Assets:**

Market value of assets less unrecognized market value gains and losses from each of the last five years. Market value gains and losses are equal to the difference between the actual market return and the expected return on the market value, and are recognized over a five-year period.

#### **Valuation Value of Assets:**

The Actuarial Value of Assets reduced by the value of the Non-Valuation Reserves (Burial Allowance reserve, Undistributed Excess Earnings reserve and both the RBRD and ACR).

#### **Member Crediting Rate:**

The Member Deposit Reserve is credited semi-annually at the Member Crediting Rate which is the lesser of the assumed investment earnings rate or the six month T-bill rate at the last public auction. The Member Crediting Rate was approved by the Board of Retirement on 4/21/2003.

**Contra Account:**

An account to track historical earning shortfalls on Valuation Reserves and applies to the Employer Current Service Reserve.

Pension Reserves (Valuation and Non-Valuation).

**Valuation Reserves**

**1. Member Deposit Reserve (Step 2):**

The reserve represents the total accumulated contributions of members.

**2. Employer Current Service Reserve (Step 3):**

The reserve includes the total accumulated contributions of the employer held for the benefit of non-retired general and safety members on account of service rendered as a member of the retirement system. Also known as County Advance Reserve.

**3. Annuity Reserve (Step 4):**

The reserve includes the total accumulated contributions of retired members less the annuity payments made to the members.

**4. Pension Reserve (Step 3):**

The reserve represents total accumulated contributions of the employer held for the benefit of retired members on account of service rendered as a member of the retirement system, less the pension payments made to retired members.

**5. Death Benefit Reserve (Step 3):**

The reserve represents the accumulated contributions of the employer to be used to pay active death benefits of members.

**6. Cost of Living Reserve (Step 3):**

The reserve represents the accumulated contributions of the employer to be used to pay cost of living payments.

**7. Supplemental Disability Reserve (Step 3):**

The reserve represents the accumulated contributions of the employer to pay supplemental disability payments.

**8. Survivor Benefit Reserve (Step 3):**

The reserve represents the accumulated contributions of the employer and employees to be used to pay retirees' survivor benefit allowances.

**Non-Valuation Reserves**

**1. Burial Allowance Reserve (Step 7):**

The reserve represents the excess earnings allocated by the Board to pay a portion of the retirees' burial allowance<sup>1</sup>. In 1985 the Board of Retirement adopted Government Code section **31789.13**, which provides an additional \$250 burial allowance to retired SBCERA members. This is a *discretionary benefit* provided from excess earnings pursuant to section 31592.2.

**2. Restricted Balance Reserved for Deficiencies (RBRD) (Step 6):**

Represents earnings in excess of the total interest credited to Valuation Reserves, equal to 1% of market value of assets (Government Code Section 31592.2) and are used as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies. If the Board approves an excess earnings benefit to be paid (or sets aside reserves to pay excess earnings benefits into the future) this reserve must be created in the year when the Board votes to provide the excess earnings benefit. Excess earnings benefits created from a previous Board vote that set aside a reserve to pay such benefits over time do not require the maintenance of the restricted balance, as the requirements to provide the excess earnings benefit were satisfied at the time the Board voted to create the excess earnings benefit.

**3. Additional Contingency Reserve (Step 6):**

Represents earnings in excess of the total interest credited to the Valuation Reserves, equal to 2% of total market value of assets and are used as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies. This reserve was first established by the Board in 2005.

**4. Undesignated Excess Earnings (Step 7):**

Represents earnings in excess of the total interest credited to all other reserves that has not been allocated by the Board to other reserves.

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<sup>1</sup> In 1963 the Board of Supervisors adopted Government Code section **31789**, which provides a \$750 death benefit, hereinafter referred to as the "burial allowance," to retired SBCERA members. This is an actuarially-funded, *vested-benefit* provided through employer contributions.



<b>POLICY NO.</b>	003	<b>Issue No.</b>	2.0
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<b>Policy Category:</b>	Actuary & Audit	<b>Page(s)</b>	5
<b>Approved.</b>			

By: *Louis Fiorino*  
Chair of the Board

**Subject: ACTUARIAL FUNDING POLICY**

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## **ACTUARIAL FUNDING POLICY**

### **Introduction**

The purpose of this Actuarial Funding Policy is to record the funding objectives and policy set by the Board of Retirement (Board) for the San Bernardino County Employees' Retirement Association (SBCERA). The Board establishes this Actuarial Funding Policy to help ensure the systematic funding of future benefit payments for members of SBCERA. In addition, this document records certain guidelines established by the Board to assist in administering SBCERA in a consistent and efficient manner.

This Actuarial Funding Policy supersedes any previous Actuarial Funding Policies. It is a working document and may be modified as the Board deems necessary.

### **Goals of Actuarial Funding Policy**

1. To achieve long-term full funding of the cost of benefits provided by SBCERA;
2. To seek reasonable and equitable allocation of the cost of benefits over time; and,
3. To minimize volatility of the plan sponsor's contribution to the extent reasonably possible, consistent with other policy goals.

### **Funding Requirement and Policy Components**

SBCERA annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this funding policy:

- I. Actuarial Cost Method: the techniques to allocate the cost/liability of retirement benefit to a given period;
- II. Asset Smoothing Method: the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and

III. Amortization Policy: the decisions on how, in terms of duration and pattern, to reduce the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

**I. Actuarial Cost Method:**

The Entry Age Normal method shall be applied to the projected benefits in determining the Normal Cost and the Actuarial Accrued Liability. The Normal Cost shall be determined on an individual basis for each active member.

**II. Asset Smoothing Method:**

The investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, shall be recognized in level amounts over 5 years in calculating the Actuarial Value of Assets.

**IV. Amortization Policy:**

- The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2011 shall continue to be amortized over separate 20-year period amortization layers based on the valuations during which each separate layer was previously established.
- Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 20 years.
- Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 20 years.
- Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis:
  - a. with the exception noted in b., below, the increase in UAAL as a result of any plan amendments will be amortized over a period of 15 years;
  - b. the increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted in Section 31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years.
- UAAL shall be amortized over “closed” amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.
- UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level

percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

- If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an “open” amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 20 years as the first of a new series of amortization layers.
- These amortization policy components will apply separately to each of SBCERA’s UAAL cost sharing groups. For the Survivor Benefit valuation, the same amortization policy components will also apply, with the exception that a level dollar methodology will be used instead of level percent of payroll.

### **Other Policy Considerations**

In order to allow the employers to more accurately budget for pension contributions and other practical considerations, the contribution rates determined in each valuation (as of June 30) will apply to the fiscal year beginning 12 months after the valuation date. Any shortfall or excess contributions as a result of the implementation lag will be amortized as part of SBCERA’s UAAL in the following valuation.

Any change in contribution rate requirement that results from plan amendment is generally implemented in the actuarial valuation that follows the effective date of the plan amendment or as soon as administratively feasible.

The normal cost rate for County General and Superior Court members is determined as a combined rate based on the members at both employers.

For determining the UAAL contribution rate, all pre-January 1, 1996 retirees and beneficiaries are included as County members for this calculation.

### **Glossary of Funding Policy Terms**


- **Present Value of Benefits (PVB) or total cost:** the “value” at a particular point in time of all projected future benefit payments for current plan members. The “future benefit payments” and the “value” of those payments are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the plan has assets equal to the PVB and all actuarial assumptions are met, then no future contributions would be needed to provide all future service benefits for all members, including future service and salary increases for active members.

- **Actuarial Cost Method:** allocates a portion of the total cost (PVB) to each year of service, both past service and future service.
- **Normal Cost (NC):** the cost allocated under the Actuarial Cost Method to each year of active member service.
- **Entry Age Normal Actuarial Cost Method:** A funding method that calculates the Normal Cost as a level percentage of pay over the working lifetime of the plan's members.
- **Actuarial Accrued Liability (AAL):** the value at a particular point in time of all past Normal Costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions and participant data had always been in effect, contributions equal to the Normal Cost had been made and all actuarial assumptions came true.
- **Market Value of Assets:** the fair value of assets of the plan as reported in the plan's audited financial statements.
- **Actuarial Value of Assets (AVA) or smoothed value:** a market-related value of the plan assets for determining contribution requirements. The AVA tracks the market value of assets over time, smoothes out short term fluctuations in market values and produces a smoother pattern of contributions than would result from using market value.
- **Valuation Value of Assets:** the value of assets used in the actuarial valuation to determine contribution rate requirements. It is equal to the Actuarial Value of Assets reduced by the value of any non-valuation reserves.
- **Unfunded Actuarial Accrued Liability (UAAL):** the positive difference, if any, between the AAL and the AVA.
- **Surplus:** the positive difference, if any, between the AVA and the AAL.
- **Actuarial Value Funded Ratio:** the ratio of the AVA to the AAL.
- **Market Value Funded Ratio:** the ratio of the MVA to the AAL.
- **Actuarial Gains and Losses:** changes in UAAL or surplus due to actual experience different from what is assumed in the actuarial valuation. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or "actuarial gain" as of the next valuation. These include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.



- **Valuation Date:** June 30 of every year.

Approved.

By   
Chair of the Board

**Subject:** Audit Committee Charter

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## AUDIT COMMITTEE CHARTER

### I. Purpose/Authority

Pursuant to the By-Laws of the San Bernardino County Employees' Retirement Association (SBCERA), the SBCERA Board of Retirement (Board) established an Audit Committee to advise the Board on audit matters, and its recommendations are subject to final approval by the Board.

The purpose of this Audit Committee Charter is to govern the Audit Committee that assists the Board in fulfilling their fiduciary oversight responsibilities as they relate to accounting policies and reporting practices, the system of internal controls, the audit processes, and the organization's process for monitoring compliance with laws and regulations.

### II. Audit Committee Responsibilities and Duties


1. Meets with SBCERA's senior management, employees, internal auditors, external auditors, outside counsel, and/or specialists, as necessary to assist the Board with audit matters.
2. The Audit Committee shall have unrestricted access to SBCERA's personnel, and records when reviewing any matter within its scope of responsibility.
3. The Audit Committee Chair (or designee), and other committee members as appropriate, shall meet with the external auditor conducting the financial statement audit at least once a year separately, without management.
4. Reports to the Board, as necessary, on the activities, decisions, findings, and recommendations of the Audit Committee regarding:
  - a. The appointment, compensation, and work of the certified public accounting firm employed to audit SBCERA's financial statements.

**POLICY: AUDIT COMMITTEE CHARTER**

**Page 2**

- b. The appointment, compensation, and work of accountants or other external consultants in completing audits, reviews, agreed-upon procedures, or investigations related to financial matters.
  - c. The appointment, compensation, and work of the certified public accounting firm employed to perform operational due diligence on SBCERA's investment managers.
  - d. Any significant accounting and reporting issues, including internal control effectiveness, and material professional and regulatory pronouncements.
  - e. Disagreements between management, internal, and/or external auditors regarding financial reporting and internal control issues.
  - f. Review and monitor the Internal Audit Unit at least once a year, including recommendations for approval to the Board for the Internal Audit Charter and three-year audit plan.
5. In the event the full Board desires to receive a report from the external auditor, the Chair of the Audit Committee may defer to the Board the review and approval of such reports, including the annual audited basic financial statements and related independent auditor's report.

Approved.

By:   
Chair of the Board

**Subject:** Internal Audit Charter

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## INTERNAL AUDIT CHARTER

### I. Purpose

The purpose of this charter is to formally define San Bernardino County Employees' Retirement Association's (SBCERA) internal audit unit's mission, independence, authority, and responsibility.

### II. Mission

The mission of the Internal Audit unit is to provide independent, objective assurance, and consulting services designed to confirm policy compliance, add value, and improve SBCERA's operations. The unit will assist SBCERA in reduction of risks that may impair the achievement of SBCERA's objectives, and to improve the efficiency and effectiveness of SBCERA's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

### III. Independence

The Internal Audit unit must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of an Internal Auditor to carry out its responsibilities in an unbiased manner.

The Internal Audit unit of Fiscal Services works under the direction of the Chief Financial Officer (CFO). To ensure independence in fact and appearance, the Internal Audit unit shall follow the chain of command with respect to reporting disagreements with the CFO, which will include direct access to the Chief Executive Officer, the Audit Committee, and the Board of Retirement (Board), if needed. For audit procedures conducted in the Fiscal Services department, Chief Counsel shall oversee the process.

#### **IV. Authority and Responsibility**

The Internal Audit unit has the authority to, and responsibility for, the following:

1. Except where prohibited by law, members of the Internal Audit unit will have complete and unrestricted access to all SBCERA personnel, records, files, information systems, and assets when reviewing any matter within its scope of responsibility.
2. Develop and maintain an internal audit program which outlines the specific guidelines to be used when performing audit procedures.
3. Develop a three-year audit plan for Audit Committee review and Board approval on procedures to be performed, using an appropriate risk-based methodology, considering any risks or control concerns identified by the Board and/or senior management.
4. Develop and execute procedures to review participating employer and member data that is reported to SBCERA, to ensure it is accurate, complete, and in compliance with applicable laws and rules.
5. Develop and execute a comprehensive operational risk assessment and audit plan for evaluation of SBCERA's internal controls, to ensure they are in place and functioning effectively.
6. Conduct special investigations and analysis, as needed.
7. Establish and maintain a follow-up system to monitor the disposition of results communicated to senior management and ensure that senior management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
8. Serve as a resource to external audit, tax, and regulatory compliance inquiries, and assist in providing technical assistance to senior management and participating employers.
9. Adhere to the Institute of Internal Auditors (IIA) and Generally Accepted Government Auditing Standards (GAGAS) Codes of Ethics. In addition, when conducting internal audit activities, use professional standards promulgated by the IIA, GAGAS, American Institute of Certified Public Accountants, the Information Systems Audit and Control Association, any other professional standards deemed appropriate (unless prohibited by law), and comply with SBCERA's policies and procedures.

**POLICY: INTERNAL AUDIT CHARTER**

**Page 3**

10. Conduct or participate as appropriate in the investigation of suspected illegal or fraudulent activities within the organization and report results to senior management and the Audit Committee.
11. Update the Audit Committee, at least semi-annually, by written report, and as required by the Three-Year Internal Audit Plan, on the progress of the Internal Audit unit, including updates on the Three-Year Internal Audit Plan, internal control review, and overall activities.



**POLICY NO.** 001  
**Committee:** Admin Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 03/03/2005  
**Page(s)** 3

By:

\_\_\_\_\_  
Chairman of the Board

**Subject: SURPLUS PROPERTY POLICY**

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**SURPLUS PROPERTY POLICY**

**I. Identify and Appraise Surplus Property.**

Surplus property is excess personal property no longer is use by the Board of Retirement. The Executive Director will identify all surplus property and have it appraised in writing for fair market value by a qualified source independent of the Board of Retirement.

**II. Surplus Property - Fair Market Value - \$100.00 or More.**

The Executive Director will submit to the Board of Trustees, at the Board's regularly scheduled meeting, a list of all surplus property with a fair market value of \$100.00 or more. The Board of Trustees will chose one of the following methods to dispose of surplus property.

1. Consignment to Public Auction. The Board of Trustees may direct the Executive Director to deliver the surplus property to a county agency for auction. Surplus property delivered to a county agency for auction will only be done on a consignment basis.
2. Written and Oral Bids from the Public. The Board of Trustees may direct the Executive Director to obtain written bids from the public for the surplus property. All requests for bids from the public will be made through advertisements in two local newspapers for at least one week. A request for bids will also be made to county employees. A request for bids will describe each item of surplus property. The request for bids will state the date(s) that the property will be available for public viewing, the date that the written bids must be submitted to the Board of Retirement, and the date that the bids will be opened and acted upon. All public advertisements for written bids will include the following language:

**“The Board of Retirement retains the right to reject any or all bids, or any portion of any bid, and to waive any irregularity or informality in the bidding process, in its sole discretion.”**

All public advertisements will state that the successful bidder must redeem the surplus property within ten (10) business days by cash, cashier's check, or money order and that any property not redeemed within ten (10) working days will be offered to the next highest bidder. In addition, the Board of Trustees may allow oral bids for surplus property on the date that the written bids are opened. However, if such a procedure is followed, all oral bids must be at least 5% higher than a previous bid. The Board of Trustees may also decide to limit the oral bids to those individuals who have submitted written bids. No surplus property will be sold for less than the fair market value. Employees of the Board of Retirement may submit bids on the surplus property. On the day that the surplus property is to be sold the Executive Director or a Trustee will act on all written and oral bids. All decisions of the Executive Director or Trustee are final.

3. Public Auction. Either in conjunction with or separate from the written bid procedure the Board of Trustees may direct the Executive Director to sell the surplus property at a public auction conducted by the Board of Retirement. The Executive Director will make announcements of a public auction through advertisements in two local newspapers for at least one week. Notice of the public auction will also be made to county employees. Notice of the public auction will describe the surplus property, give the date(s) that the property will be available for public viewing, and the date of the auction. The Executive Director will contract with a qualified independent auctioneer to conduct the sale. Employees of the Board of Retirement may bid at the public auction. Property will be sold to the highest bidder and all sales will be final.
4. Turn-In to County Purchasing Department. Although not the preferred method for disposing of surplus property, the Board of Trustees may direct surplus property, not otherwise sold through the above cited methods, to be turned into the County's Purchasing Department.

### **III. Surplus Property - Fair Market Value - Less Than \$100.00.**

The Board has determined that storing and disposing surplus property of nominal value, that is surplus property with an appraised fair market value less than \$100.00, can be more costly in terms of staff time than the surplus property is worth. Consequently, the Executive Director may dispose of all surplus property no longer in use by the Board of Retirement, which has an appraised fair market value less than \$100.00, by any of the following means:



1. Follow the steps in Section II above.
2. Destroy the surplus property, such as putting surplus property of nominal value in the dumpster.
3. Sell the property for no less than the appraised fair market value to any person or organization on a first come first served basis.

The Executive Director will submit to the Board of Trustees, at the Board's regularly scheduled meeting, a list of all such surplus property no longer in use by the Board of Retirement which has an appraised fair market value of less than \$100.00 and manner in which it has been disposed.

RESCINDED BY BOARD EFFECTIVE 07/01/2016



**POLICY NO.** 002  
**Committee:** Admin Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 2.0  
**Effective Date:** 11/01/2018  
**Page(s)** 1

By: *Louis Forino*  
Chair of the Board

**Subject: SUBROGATION ACTIONS**

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**SUBROGATION ACTIONS**

**Background**

Article 15 of the County Employees' Retirement Law, Government Code section 31830 et seq., allows San Bernardino County Employees' Retirement Association (SBCERA) to file a subrogation action against a third party who has caused injury to one of its members, when the injury results in the award of disability retirement benefits, if the member has filed an action against the third party for the same injury. .

**Subrogation Actions**

The Board of Retirement (Board) delegates to its Chief Counsel the authority to file subrogation actions pursuant to Article 15 of the County Employees' Retirement Law. The Board further delegates authority to Chief Counsel to settle subrogation actions on its behalf with concurrence of the Chief Executive Officer.



**POLICY NO.** 003  
**Committee:** Admin Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 11/04/2004  
**Page(s)** 1

By:

\_\_\_\_\_  
Chairman of the Board

**Subject: REVIEW OF EXECUTIVE DIRECTOR FOR TIME, ATTENDANCE AND EXPENSES**

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**REVIEW OF EXECUTIVE DIRECTOR FOR**  
**TIME, ATTENDANCE AND EXPENSES**

At least annually, and as part of the continuing performance evaluation, Chairman of the Board of Retirement shall review the time and attendance records, the expense reimbursement claims and the credit card usage of the Executive Director.

The Chairman shall report any significant findings of his review to the Administrative Committee, in closed session, at a regular or special meeting of said committee.

The Administrative Committee may discuss the findings of the review and recommend further action be taken by the Board of Retirement. The Administrative Committee will discuss all proposed recommendations with the Executive Director in closed session before referring them to the Board of Retirement.

**RESCINDED BY BOARD 11-05-2015**

By:   
Chair of the Board

**Subject: REPRODUCTION CHARGES**

### REPRODUCTION CHARGES

Pursuant to Government Code section 6253, SBCERA "shall make public records available to any person upon payment of fees covering direct costs of duplication, or a statutory fee if applicable." See also is *North County Parents v. Department of Education* (1994) 23 Cal App.4th 144.

Government Code section 6253.9 further states that if the information is in an electronic format: "[t]he cost of duplication shall be limited to the direct cost of producing a copy of a record in an electronic format." However, "... the requester shall bear the cost of producing a copy of the record, including the cost to construct a record, and the cost of programming the computer services necessary to produce a copy of the record when ... the request would require data compilation, extraction, or programming to produce the record."

Nothing in section 6253.9 requires SBCERA to make information available in a specific electronic format other than the format the information is currently in.

In a study on the costs of reproduction, SBCERA has determined that the direct cost to photocopy or scan a page is \$0.25 per page.

Therefore, the Board adopts the following policy on reproduction charges:

1. Requests for copies from SBCERA employers or other governmental bodies will be granted free of charge, except when the requests require data compilation, extraction, or programming to produce the record.
2. Copies of public records will be provided in hard copy or scanned image via e-mail. Copies of public records will not be provided by means of a CD or other portable data storage formats.
3. Reproduction charges will include: the direct costs of photocopying or scanning a public record; the cost of postage and handling if the copies are to be mailed; and, if the request requires data compilation, extraction, or programming to produce the record, then reproduction charges will also include the cost of constructing the record and the costs of programming the computer services necessary to produce a copy of the record.

4. If the total charges are less than \$2.00, the copies will be provided free of charge.
5. If the charges total more than \$2.00 the appropriate amount will be requested for the copies by check or money order only payable to San Bernardino County Employees' Retirement Association (SBCERA). No cash will be accepted. A receipt will be provided upon request. (If no receipt is requested, the canceled check or money order stub will serve as a receipt.)



By: \_\_\_\_\_  
Chairman of the Board

**Subject: RECORDS RETENTION POLICY**

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## **RECORDS RETENTION POLICY**

The Board enacts the following Records Retention Policy. The Board provides guidance to the Executive Director as to the minimum periods of time for retaining documents and records. This policy is divided by general subject matter and includes, where possible, the applicable statutes. The Executive Director will develop staff procedures, consistent with this Records Retention Policy, to regularly purge records and documents. Nothing in this policy prevents the Executive Director from retaining records and documents beyond the guidelines in this policy when specific system procedures are in place to purge documents at regular intervals.

1. Board and Committee Minutes  
*Gov. Code sec. 26202*  
❖ Keep indefinitely
2. Auditor and Actuary Reports, CAFRS  
*Gov. Code sec. 26202*  
❖ Keep indefinitely
3. Statement of Economic Interests  
*Gov. Code Secs 26201, 81009*  
❖ 7 years after termination of office
4. Warrants, vouchers, claims, checks, deposit orders, deposit receipts  
*Gov. Code Secs. 26907, 26907.2*  
❖ 5 years
5. Contracts, including investment contracts  
*Gov. Code sec. 26202, C.C.P. sec. 337*  
❖ 4 years after termination of contract
6. Purchasing Records, Purchase Requisitions  
*Gov. Code sec. 25501, C.C.P. sec 337*  
  
❖ 4 years

**POLICY: Records Retention Policy**

Page 2

7. Administrative Budget, Budget Records  
*Gov. Code sec. 26202*
  - ❖ Current FY + 2 years
8. Employee Files  
*Gov. Code sec. 26202*
  - ❖ 2 years after termination of employee
9. Leave Request Forms, Time and Attendance Reports  
*Gov. Code sec. 26202*
  - ❖ 2 years after audit
10. General Correspondence  
*Gov. Code sec. 26202*
  - ❖ 2 years unless kept with another file
11. Accounting Related  
(other than Budget, Purchasing, Contracts)  
*Gov. Code sec. 26202*
  - ❖ Paper Copy - 2 years
  - ❖ Electronically – until Member/Beneficiary deceased
12. RFP's - other than those awarded contract  
*Gov. Code sec. 26202*
  - ❖ 2 years after award
13. Member Records:
  - A. Originals of Documents that create or waive rights until Member/Beneficiary Deceased or Beneficiary paid off.  
*Gov. Code sec. 26202*
    - ❖ Keep Indefinitely

**Examples include:**

1. Affidavits
2. Beneficiary Forms (Most Current Form)
3. Change of Beneficiary Forms (Most Current Form)
4. Court Orders
5. Domestic Relations Orders
6. Purchase of Redeposit Agreements
7. Declarations

- B. State and Federal Tax Forms  
*Gov. Code sec. 26202*
  - ❖ Originals – Five years
  - ❖ Electronically – Until Member/Beneficiary deceased.
  
- C. All Other Member Documents  
*Gov. Code sec. 26202*
  - ❖ Paper Copy – 2 years
  - ❖ Electronically – Until Member/Beneficiary Deceased if Member/Beneficiary not awarded all requested benefits.
  
- 14. Proxies  
*Gov. Code sec. 26202*
  - ❖ 2 years after award
  
- 15. Consultant Reports  
*Gov. Code sec. 26202*
  - ❖ Paper Copy - 2 years
  - ❖ Electronically - Indefinitely
  
- 16. Board Policies  
*Gov. Code sec. 26202*
  - ❖ 2 years after new revision or revocation
  
- 17. Investment Manager Reports
  - A. Annual Reports  
*Gov. Code sec. 26202, C.C.P. sec. 337*
    - ❖ 4 years after termination of contract
  
  - B. Quarterly Reports  
*Gov. Code sec. 26202*
    - ❖ 2 years
  
- 18. Real Estate Acquisition Files  
ERISA Requirements
  - ❖ 7 years after sale of property
  
- 19. All Other Documents  
*Gov. Code sec. 26202*
  - Paper Copy – 2 years**



## RECORDS RETENTION POLICY

NO.	RECORDS	RETENTION PERIOD
1.	Board and Committee Minutes	Keep indefinitely
2.	Auditor and Actuary Reports, CAFRS	Keep indefinitely
3.	Statement of Economic Interests <i>Gov. Code Secs 26201, 81009</i>	7 years after termination of office
4.	Warrants, vouchers, claims, checks, deposit orders, deposit receipts <i>Gov. Code Secs. 26907, 26907.2</i>	5 years
5.	Contracts <i>Gov. Code sec. 26202, C.C.P. sec. 337</i>	4 years after termination of contract
6.	Purchasing Records, Purchase Requisitions <i>Gov. Code sec. 25501, C.C.P. sec 337</i>	4 years
7.	Administrative Budget, Budget Records <i>Gov. Code sec. 26202</i>	Current FY + 2 years
8.	Employee Files <i>Gov. Code sec. 26202</i>	2 years after termination of employee
9.	Leave Request Forms, Time and Attendance Reports <i>Gov. Code sec. 26202</i>	2 years after audit
10.	General Correspondence <i>Gov. Code sec. 26202</i>	2 years unless kept with another file
11.	Accounting Related (other than Budget, Purchasing, Contracts) <i>Gov. Code sec. 26202</i>	Paper Copy - 2 years  Electronically – until Member/Beneficiary deceased

NO.	RECORDS	RETENTION PERIOD
12	RFP's <i>Gov. Code sec. 26202</i>	2 years after award
13.	<p>Member Records:</p> <p>D. Originals of Documents that create or waive rights until Member/Beneficiary Deceased of Beneficiary paid off. <i>Gov. Code sec. 26202</i> Examples include:</p> <ol style="list-style-type: none"> <li>1. Affidavits</li> <li>2. Beneficiary Forms (Most Current Form)</li> <li>3. Change of Beneficiary Forms (Most Current Form)</li> <li>4. Court Orders</li> <li>5. Domestic Relations Orders</li> <li>6. Purchase of Redeposit Agreements</li> <li>7. Declarations</li> </ol> <p>E. State and Federal Tax Forms <i>Gov. Code sec. 26202</i></p> <p>F. All Other Member Documents <i>Gov. Code sec. 26202</i></p>	<p>Keep Indefinitely</p> <p>Originals – Five years Electronically – Until Member/Beneficiary deceased.</p> <p>Paper Copy – 2 years Electronically –Until Member/Beneficiary Deceased.</p>

By: *Conis Forino*  
Chair of the Board

**Subject: COMPREHENSIVE ANNUAL FINANCIAL REPORT – AVAILABLE FOR PUBLIC INSPECTION**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AVAILABLE FOR PUBLIC INSPECTION**

As part of SBCERA's ongoing communication policy, the Board of Retirement has directed that the System shall annually prepare, at the conclusion of each Fiscal year, a Comprehensive Annual Financial Report (CAFR). The purpose of this report is to provide a complete and accurate review of the year's operations of the System and to allow for year-to-year comparisons of the financial strength of the System. The report is required to meet the standards established by the Government Finance Officers Association's Achievement for Excellence in Financial Reporting program. As such, it shall contain detailed descriptions of the System's management and organizational structure; the opinion of the System's independent auditor and general purpose financial statements of the System; reports on investment activity and actuarial funding; and required statistics on data related to revenue, expenses, benefits and membership.

Through the adoption of this Policy Statement, it is the Board's expressed intent that the CAFR be made available for public inspection to all interested parties. At a minimum, staff shall distribute the report to participating employers in the System, other 1937 Act counties, all providers contracted with the System, and, upon request, all System members. By this distribution of the CAFR, the Board will ensure that all stakeholders of the System be provided a reliable information source to better understand the management goals, objectives, funding and operation of SBCERA.

Recategorized as CEO Policy No. 030 (Effective 01/09/2020)



**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

007  
Admin Committee  
Administration

**Issue No.** 2.0  
**Effective Date:** 11/01/2018  
**Page(s)** 2

By:

Chair of the Board

**Subject: PRESENTMENT OF CLAIMS**

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**PRESENTMENT OF CLAIMS**

All tort liability claims required to be presented to the San Bernardino County Employees' Retirement Association under the provisions of the California Tort Claims Act of 1963 (Government Code section 900 et seq.) shall be filed with the Chief Executive Officer. For purposes of Government Code section 915 only, the Chief Executive Officer is designated as Secretary of the Board of Retirement. See Attached *Claim Against San Bernardino County Employees' Retirement Association*.

Attachment

**CLAIM AGAINST SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
 (CLAIM FORM MUST BE FILLED OUT PROPERLY OR CLAIM WILL BE RETURNED WITHOUT FILING)

**DATE:** \_\_\_\_\_

Claim is hereby made against SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA), as follows:

- Less than \$10,000 – State the total amount claimed \$ \_\_\_\_\_
- More than \$10,000 – Check one of the boxes:
  - Municipal Court Jurisdiction (\$10,000 - \$25,000)
  - Superior Court Jurisdiction (\$25,001 and up)

**CLAIMANT MAKES THE FOLLOWING STATEMENTS IN SUPPORT OF THE CLAIM:**

1. **Name of Claimant:** \_\_\_\_\_  
First Middle Last (Area Code & Phone No.)

2. **Address of Claimant:** \_\_\_\_\_  
Street City Zip Code

3. **Notices concerning claim should be sent to:**  
 \_\_\_\_\_  
Name Address Zip Code (Area Code & Phone No.)

4. **Circumstances giving rise to claim are as follows:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. **Date, Time and Place(City, Street, Cross-Street) damage occurred and nature thereof:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. **Public property and/or public officers or employees causing injury, damage or loss:**  
 \_\_\_\_\_  
 \_\_\_\_\_

7. **Name, address and telephone number of witnesses:** \_\_\_\_\_  
 \_\_\_\_\_

8. **Basis of computation of claimed amount is as follows:**  
 Describe Damage(s) and give amount claimed

	\$
	\$
	\$
	\$

\_\_\_\_\_  
*Claimant or Representative (Signature)*

**RETURN COMPLETED FORM TO:**  
 San Bernardino County Employees' Retirement Association  
 Legal Services Dept.  
 348 W. Hospitality Lane, Third Floor  
 San Bernardino, CA 92415

OFFICE: (909) 885-7980 or (877) 722-7321  
 FAX: (909) 885-7446

Date Rec'd _____ By: _____ <p style="text-align: center; font-size: small;">FOR SBCERA USE ONLY</p>
---

**CLAIM AGAINST SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
 (CLAIM FORM MUST BE FILLED OUT PROPERLY OR CLAIM WILL BE RETURNED WITHOUT FILING)

**DATE:** \_\_\_\_\_

Claim is hereby made against SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA), as follows:

- Less than \$10,000 – State the total amount claimed \$ \_\_\_\_\_
- More than \$10,000 – Check one of the boxes:
  - Municipal Court Jurisdiction (\$10,000 - \$25,000)
  - Superior Court Jurisdiction (\$25,001 and up)

**CLAIMANT MAKES THE FOLLOWING STATEMENTS IN SUPPORT OF THE CLAIM:**

1. **Name of Claimant:** \_\_\_\_\_  
First                      Middle                      Last                      (Area Code & Phone No.)

2. **Address of Claimant:** \_\_\_\_\_  
Street    City    Zip Code

3. **Notices concerning claim should be sent to:**

\_\_\_\_\_  
Name                      Address                      Zip Code                      (Area Code & Phone No.)

4. **Circumstances giving rise to claim are as follows:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. **Date, Time and Place(City, Street, Cross-Street) damage occurred and nature thereof:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. **Public property and/or public officers or employees causing injury, damage or loss:**  
 \_\_\_\_\_  
 \_\_\_\_\_

7. **Name, address and telephone number of witnesses:** \_\_\_\_\_  
 \_\_\_\_\_

8. **Basis of computation of claimed amount is as follows:**

Describe Damage(s) and give amount claimed

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

\_\_\_\_\_  
*Claimant or Representative (Signature)*

**RETURN COMPLETED FORM TO:**  
 San Bernardino County Employees' Retirement Association  
 Legal Services Dept.  
 348 W. Hospitality Lane, Third Floor  
 San Bernardino, CA 92415

OFFICE: (909) 885-7980 or (877) 722-7321  
 FAX: (909) 885-7446



By: \_\_\_\_\_  
Chairman of the Board

**Subject: SBCERA PRIVACY AND CONFIDENTIALITY POLICY**

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**SBCERA Privacy and Confidentiality Policy**

**A. INTRODUCTION:**

1. SBCERA's mission is to produce, protect, and provide promised benefits. An important aspect of this mission is protecting the privacy of our members and their beneficiaries, and the security of SBCERA's operations. Accordingly, SBCERA does not sell or trade members' personal information; nor does SBCERA disclose it to anyone other than those who need it to provide member services or those who are legally entitled to it. SBCERA also maintains the confidentiality of information that could impact the security of its members, its personnel, or its assets, as well as legally privileged information.

**B. DEFINITIONS:**

1. **Confidential Information.** This is information obtained or created by SBCERA which is restricted as to access, disclosure or use. It may be found in any medium, whether oral, written, or electronic. It includes the following:
2. **PI: Personal Information (PI)** is any non-public information that is identifiable to an individual. It may be demographic, such as the individual's age or address, or it may be health information, such as his or her medical history. It includes member records and sworn statements.
3. **SI: Security Information (SI)** is information which, if improperly disclosed, could adversely impact the security of a SBCERA member, a SBCERA staff member, or SBCERA's assets. Examples include information about SBCERA's computer systems, financial accounts, and access systems.
4. **PRI: Privileged Information (PRI)** is information which falls into a legally recognized category that is protected from compulsory disclosure. An example is attorney-client communications.
5. **Individual:** Any person who is the subject of PI.

RESCINDED BY BOARD ON 1/10/2019

**C. OBJECTIVE:**

1. This privacy policy provides guidance to enable SBCERA to meet its commitment to protect the privacy of its members, protect the security of SBCERA, its employees and its assets, and comply with relevant legal requirements.
2. There are a number of laws that address privacy and security issues. The following laws most significantly impact SBCERA.
3. In the 1937 Act, California Government Code 31532 precludes disclosure of SBCERA's member records and sworn statements unless proper authorization is provided.
4. Beyond these legal requirements, SBCERA continuously reviews legislation and privacy and security practices to ensure the privacy of its members and the security of its operations.

**D. PRIVACY POLICY DIRECTIVES:**

1. In accordance with applicable laws and SBCERA's mission, all SBCERA employees\* are responsible for ensuring that PI, including member records and sworn statements, are not disclosed except to:
  - Authorized SBCERA employees for approved purposes,
  - the member upon request, or
  - third parties who have appropriate authorizing documentation.
3. In addition, SBCERA employees are responsible for ensuring that PI is obtained, used or shared only to the minimum necessary extent that is required to further SBCERA's mission, within the constraints of applicable laws. This means that access to PI is permitted on a need-to-know basis.
5. Reasonable safeguards are to be implemented to ensure the privacy of PI, including controls on who can access the information, how the information is used, how it is obtained, stored and shared, and how it is eventually discarded. Member sworn statements and member records are to be kept confidential.
6. SI and PRI are to be secured at all times from unauthorized disclosure or use.



7. The deliberate or negligent mishandling or misuse of PI, SI, or PRI is considered to be misconduct and is enforced through employee discipline.

\*With regard to this policy only, the term “employee(s)” refers to all SBCERA personnel who are directed or indirectly supervised by SBCERA management or the SBCERA Board.

E. PRIVACY POLICY PROGRAM:

SBCERA’s privacy policy will be implemented through the following activities:

1. SBCERA will maintain policies and procedures which provide guidance for the handling of PI. A Privacy Officer will coordinate these policies and procedures.
2. SBCERA will maintain policies and procedures which provide guidance for the handling of SI. A Security Officer will coordinate these policies and procedures.
3. SBCERA will maintain policies and procedures which provide guidance for the handling of PRI. SBCERA’s Legal Office will coordinate these policies and procedures.
4. SBCERA will implement physical and electronic controls to protect the privacy of PI, SI and PRI.
5. SBCERA will train all employees upon entry and periodically on privacy and confidentiality policies and procedures. Staff and board members will be required to execute a confidentiality/non-disclosure agreement.
6. SBCERA will maintain proper disclosures and disclaimers in all publications and communications with outside parties that may involve PI.
7. SBCERA will obtain a written authorization from the individual before disclosing PI to third parties other than third parties working on behalf of SBCERA or those who require the information by law or per a court order (e.g.: government agencies, litigants). Other exceptions may apply as well.
8. SBCERA will obtain appropriate supporting documentation from third parties who require PI by law or per a court order before disclosing PI to such parties (e.g.: government agencies, litigants).

9. SBCERA will maintain, as needed, proper contractual agreements with outside parties working on behalf of SBCERA, including non-disclosure/confidentiality agreements, to ensure confidentiality of PI, SI and PRI.
10. SBCERA will establish procedures for receiving and responding to disputes regarding PI, for providing individuals access to their own PI, and for notifying individuals about any unauthorized use of their PI. A contact person who reports to the Privacy Officer will coordinate these procedures.
11. SBCERA will include a privacy and security risk assessment in the annual organization-wide risk assessment conducted by Internal Audit.
12. SBCERA will periodically review this privacy policy to ensure that it addresses all relevant laws and risks inherent in the handling of PI.
13. SBCERA will monitor compliance with this policy and applicable laws. This may include periodic audits and other monitoring tools.

**RESCINDED BY BOARD ON 1/10/2019**

**STAFF CONFIDENTIALITY AGREEMENT**

Instructions

This form is to be signed by a permanent or temporary employee of SBCERA. The signed form must be filed with the Human Resources Division for a period of no less than 6 years from the last day of service. Any questions regarding the use of this form should be directed to the Privacy Officer at \_\_\_\_\_.

**RESCINDED BY BOARD on 11/07/2019**

**EMPLOYEE CONFIDENTIALITY AGREEMENT OF  
THE SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA)**

I, \_\_\_\_\_, understand that, in the course of my employment or association with SBCERA, I may encounter information that is considered confidential (hereafter referred to as Confidential Information). I further understand that all Confidential Information must be protected from improper use or disclosure. In addition to other applicable Federal and State laws, SBCERA is required by California Government Code section 31532 to ensure that "sworn statements and individual records of members shall be confidential and shall not be disclosed to anyone except insofar as may be necessary for the administration of this chapter or upon order of a court of competent jurisdiction, or upon written authorization by the member."

Confidential Information includes:

- Personal information (PI), which is non-public information identifiable to an individual (e.g. member records and personnel files),
- Security Information (SI), which impacts the security of SBCERA's assets or personnel or members, or
- Privileged Information (PRI), which includes information protected by the attorney-client privilege.

I have read and understand SBCERA's Privacy and Confidentiality Policy, which protects the confidentiality of PI, SI and PRI and other federal and state laws.

In consideration of my employment or compensation from SBCERA, I hereby agree that I will not at any time-either during my employment or association with SBCERA or after my employment or association ends-use, access or disclose any confidential information to any person or entity, internally or externally, except as is required and permitted in the course of my duties and responsibilities with SBCERA, as set forth in SBCERA's privacy policies and procedures or as permitted under appropriate federal or state laws.

I understand this obligation extends to any Confidential Information that I may have acquired or may acquire during the course of my employment or association with SBCERA, whether in oral, written or electronic form and regardless of (1) the manner in which access was obtained, (2) whether the Confidential Information came into my custody, possession, or knowledge, or was developed, compiled, prepared or used by me, before or after the date of this Agreement, and (3) whether the Confidential Information has been published or has become a part of the public domain, or has been put in my possession or knowledge by a third person not acting on behalf of SBCERA, or was in my possession or knowledge prior to my commencing work for SBCERA.

I understand and acknowledge my responsibility to apply SBCERA's policies and procedures during the course of my employment or association. I also understand that unauthorized use or disclosure of Confidential Information will result in disciplinary action, up to and including the termination of employment or association with SBCERA and the imposition of civil and criminal penalties under applicable federal and state law, as well as professional disciplinary action as appropriate.

I understand that this obligation will survive the termination of my employment or end of my association with SBCERA, regardless of the reason for such termination, and that my obligations under this Agreement are in addition to, and not exclusive of, any and all of my other obligations and duties to SBCERA, whether express or implied, in fact or in law.

I understand that the original of this signed agreement will be included in my personnel file at SBCERA.

Signed \_\_\_\_\_ Date \_\_\_\_\_



## TRUSTEE CONFIDENTIALITY AGREEMENT

### Instructions

This form is to be signed by an SBCERA Trustee. The signed form must be filed with the Executive Director for a period of no less than six (6) years from the last day of service. Any questions regarding the use of this form should be directed to the Privacy Officer at (909) 885-7980.

**RESCINDED BY BOARD on 11/07/2019**

**TRUSTEE CONFIDENTIALITY AGREEMENT OF  
THE SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA)**

I, \_\_\_\_\_, understand that, in the course of association with SBCERA as a Trustee, I may encounter information that is considered confidential (hereafter referred to as Confidential Information). I further understand that all Confidential Information must be protected from improper use or disclosure. In addition to other applicable Federal and State laws, SBCERA is required by California Government Code section 31532 to ensure that "sworn statements and individual records of members shall be confidential and shall not be disclosed to anyone except insofar as may be necessary for the administration of this chapter or upon order of a court of competent jurisdiction, or upon written authorization by the member."

Confidential Information includes:

- Personal information (PI), which is non-public information identifiable to an individual (e.g. member records and personnel files),
- Security Information (SI), which impacts the security of SBCERA's assets or personnel or members, or
- Privileged Information (PRI), which includes information protected by the attorney-client privilege.

I have read and understand SBCERA's Privacy and Confidentiality Policy, which protects the confidentiality of PI, SI and PRI and other federal and state laws.

In consideration of my position with SBCERA, I hereby agree that I will not at any time-either during my association with SBCERA or after my association ends-use, access or disclose any confidential information to any person or entity, internally or externally, except as is required and permitted in the course of my duties and responsibilities with SBCERA, as set forth in SBCERA's privacy policies and procedures or as permitted under appropriate federal or state laws.

I understand this obligation extends to any Confidential Information that I may have acquired or may acquire during the course of my association with SBCERA, whether in oral, written or electronic form and regardless of (1) the manner in which access was obtained, (2) whether the Confidential Information came into my custody, possession, or knowledge, or was developed, compiled, prepared or used by me, before or after the date of this Agreement, and (3) whether the Confidential Information has been published or has become a part of the public domain, or has been put in my possession or knowledge by a third person not acting on behalf of SBCERA, or was in my possession or knowledge prior to my commencing work for SBCERA.

I understand and acknowledge my responsibility to apply SBCERA's policies and procedures during the course of my association. I also understand that unauthorized use or disclosure of Confidential Information may result in the imposition of civil and criminal penalties under applicable federal and state law.

I understand that this obligation will survive the termination of my association with SBCERA, regardless of the reason for such termination, and that my obligations under this Agreement are in addition to, and not exclusive of, any and all of my other obligations and duties to SBCERA, whether express or implied, in fact or in law.

Signed \_\_\_\_\_ Date \_\_\_\_\_



**VENDOR AND VISITOR CONFIDENTIALITY AGREEMENT  
GOVERNING THE ACCESS AND USE OF  
SBCERA'S CONFIDENTIAL INFORMATION**

Instructions

This form is to be signed by a contractor or visitor to SBCERA who, in order to perform the desired service, must have access to private or confidential information or areas containing private or confidential information. The signed form must be filed along with any contract information for a period of no less than six (6) years from the last day of service provided by the contractor. Any questions regarding the use of this form should be directed to the Privacy Officer at \_\_\_\_\_.

**RESCINDED BY BOARD on 11/07/2019**

**VENDOR AND VISITOR CONFIDENTIALITY AGREEMENT  
GOVERNING THE ACCESS AND USE  
OF SBCERA'S CONFIDENTIAL INFORMATION**

I, \_\_\_\_\_,  
NAME  
a representative of \_\_\_\_\_,  
COMPANY

have read and understand SBCERA's Privacy Policy. I understand that, during my association with SBCERA, I may be exposed to the following kinds of information:

- Personal information (PI), which is non-public information identifiable to an individual
- SBCERA's proprietary information

PI and SBCERA's proprietary information are collectively referred to as "Confidential Information." I further understand that all Confidential Information must be protected from improper use or disclosure.

In consideration of my compensation from SBCERA and of SBCERA's permitting me access to the Confidential Information, I hereby warrant and agree that I will not at any time – either during my association with SBCERA or after my association ends – use, access or disclose any Confidential Information to any person or entity, internally or externally, except as is required and permitted in the course of my duties and responsibilities with SBCERA, as set forth in SBCERA's Privacy Policy.

I understand this obligation extends to any Confidential Information that I may have acquired or may acquire during the course of my association with SBCERA, whether in oral, written or electronic form and regardless of (1) the manner in which access was obtained, (2) whether the Confidential Information came into my custody, possession, or knowledge, or was developed, compiled, prepared or used by me, before or after the date of this Agreement, and (3) whether the Confidential Information has been published or has become a part of the public domain, or has been put in my possession or knowledge by a third person not acting on behalf of SBCERA, or was in my possession or knowledge prior to my commencing work for SBCERA.

I understand and acknowledge my responsibility to apply SBCERA's policies and procedures during the course of my association. I also understand that unauthorized use or disclosure of Confidential Information may result in disciplinary action, up to and including the termination of my association with SBCERA and the imposition of civil penalties and criminal penalties under applicable federal and state law, as well as professional disciplinary action as appropriate.

I understand that this obligation will survive the termination of my association with SBCERA, regardless of the reason for such termination, and that my obligations under this Agreement are in addition to, and not exclusive of, any and all of my other obligations and duties to SBCERA, whether express or implied, in fact or in law.

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

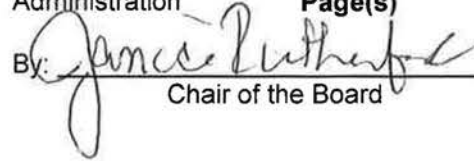




**POLICY NO.**  
**Committee:**  
**Policy Category:**  
**Approved.**

009  
Admin Committee  
Administration

**Issue No.** 2.0  
**Effective Date:** 03/07/2019  
**Page(s)** 2

By:   
Chair of the Board

**Subject: CORRECTING AND REISSUING 1099Rs**

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## CORRECTING AND REISSUING 1099Rs

### Background:

SBCERA reports pension and other retirement related distributions to the IRS. This means that each year SBCERA issues a 1099R to every retired member and beneficiary receiving a distribution. Infrequently the information on the 1099R is incorrect due to data conversion, uncertainty in benefit status, or other administrative corrections including change of address. When incorrect information on a 1099R is identified SBCERA issues a corrected 1099R to the member or beneficiary. The member or beneficiary is solely responsible for filing a corrected annual income tax return and paying appropriate taxes, interest, and penalties, if any. In most instances, these corrections involve a change of address or other minor administrative correction that does not require the member or beneficiary to change or re-file their tax return.

### Policy:

When SBCERA issues a corrected 1099R to a member or beneficiary that requires them to file an amended income tax return, SBCERA may pay some of the cost incurred by the member or beneficiary to have a tax preparer file a corrected annual income tax return on the member or beneficiary's behalf but in no event will SBCERA pay more than \$110 for tax preparation in the filing of an amended tax return. SBCERA may also pay any resulting interest and/ or penalties caused by the information corrected on the Form 1099R. SBCERA will not, however, pay any expense, interest or penalty incurred by the member or beneficiary that is not directly related to the information corrected on the 1099R, including but not limited to other assessments determined or audit by the IRS as a result of the amended return.

Any reimbursements for tax preparation, interest and/ or penalties will only be provided by SBCERA if requested by the member in writing and accompanied by proof, satisfactory to SBCERA, of the expenses claimed and their direct correlation to the information corrected on the 1099R. Any reimbursements issued to a member or beneficiary are taxable to the respective individual. Such reimbursements shall be reported to the IRS and the applicable member or beneficiary on Form 1099-Misc. SBCERA will inform the member or beneficiary, as applicable, of the taxability of the reimbursements made to him or her by SBCERA. SBCERA will not provide a tax true-

**POLICY: Correcting and Reissuing 1099Rs**

**Page 2**

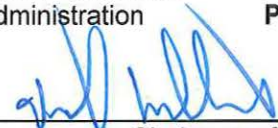
up for the additional tax liability incurred by any member or beneficiary as a result of any reimbursement he or she may receive from SBCERA.

In no event will SBCERA pay any taxes owed by the member or beneficiary or IRS assessments unrelated to incorrect reporting of the member's or beneficiary's SBCERA benefit on the 1099R.

The Chief Executive Officer will report to the Board on a quarterly basis the issuance of any corrected 1099Rs that require the member or beneficiary to re-file and the payment of interest, penalties, or amended income tax return preparation expenses under this policy.



**POLICY NO.** 010 **Issue No.** 2.0  
**Committee:** Admin Committee **Effective Date:** 09/04/2014  
**Policy Category:** Administration **Page(s)** 3  
**Approved.**

  
\_\_\_\_\_  
Chairman of the Board

**Subject: ELECTRONIC BOARD AND COMMITTEE AGENDA MATERIALS POLICY**

**ELECTRONIC BOARD AND COMMITTEE AGENDA MATERIALS POLICY**

**I. OVERVIEW:**

Given the substantial volume of paper comprising San Bernardino County Employees' Retirement Association (SBCERA) Board and Committee Agenda materials (Agenda material), and given the availability and cost efficiency of mobile computing devices (mobile device[s]), the Board of Retirement (Board) desires the option to receive Agenda materials in an electronic format.

SBCERA Board of Retirement members (Trustee[s]), SBCERA staff members (employee[s]), and advisors in the discretion of the Chief Executive Officer (CEO), who choose to receive such information electronically understand the sensitive or confidential nature of the information being delivered and that its loss or compromise could expose members' personal information and data to unauthorized persons.

**II. PURPOSE:**

This policy is designed to provide Trustees, employees, and advisors receipt of Agenda materials in an electronic format while protecting the confidentiality of any data contained within the supplied file(s).

**III. SCOPE:**

This policy covers all SBCERA Trustees, employees, and advisors who receives files and information subject to this policy.

**IV. RESPONSIBILITY:**

The recipient of electronic Agenda materials containing sensitive or confidential information will accept responsibility for taking reasonable safety precautions with said sensitive or confidential information provided to them and agrees to abide by this policy.

**RESCINDED BY BOARD 11/07/2019**

**V. INFORMATION ACCESS:**

To help protect sensitive or confidential information contained within electronic Agenda materials the following precautions must be taken.

1. The ability to receive electronic Agenda materials is an option available to all Trustees. SBCERA employees and advisors requesting access must obtain approval from the CEO.
2. Electronic Agenda materials will ONLY be distributed to a SBCERA issued device, secured website, and/or personal device previously approved by the CEO and Chief of Information Services.
3. Electronic Agenda materials will ONLY be distributed by means of a SBCERA approved delivery method. For versioning control and confidentiality concerns there will be only one approved delivery method at any given time. The same delivery method must be used by all parties and procedures for the use of said delivery method will be provided to any party receiving electronic Agenda materials.
4. Access rights to the electronic Agenda materials are nontransferable and restricted without exceptions to the approved recipient.
5. Electronic Agenda materials must remain separate from all other electronic files and media contained within the SBCERA issued device or approved personal device.
6. SBCERA reserves the right to correct/delete information if necessary and as appropriate from the provided electronic Agenda materials.
7. If applicable, the ability to extract, print or otherwise make a copy of electronic Agenda materials residing within the SBCERA issued device or approved personal device will be at the sole discretion of the CEO.
8. If applicable, recipients of electronic Agenda materials potentially containing sensitive or confidential information shall delete the files from all devices and applications once the meeting or need for the information has passed.

**VI. ACCEPTANCE:**

Any person receiving Electronic Agenda materials shall comply with the following.

1. Trustees, employees, and others who receive electronic Agenda materials shall not be entitled to receive materials on paper. The request to receive Agenda materials in both electronic and paper formats must be made to and approved by the CEO.
2. Trustees, employees, and others who decline use of an SBCERA approved device shall not be entitled to any other form of SBCERA owned equipment in replacement of the approved device.
3. In addition to this policy, all Trustees, employees, and others who receive electronic Agenda materials on an approved personal device must agree to and follow SBCERA General Policy 008 – Mobile Computing Device Connection Policy.

**VII. ENFORCEMENT:**

The improper transportation of sensitive or confidential information may compromise or expose members' personal information and data to unauthorized persons. Any unauthorized release of sensitive or confidential information shall be reported to the CEO or Chief of Information Services as soon as possible.

**RESCINDED BY BOARD 7/10/2019**



**POLICY NO.** 011  
**Committee:** Admin Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 2.0  
**Effective Date:** 08/03/2017  
**Page(s)** 5

By: *Louis Ferrino*  
Chair of the Board

**Subject: POLICY FOR PROCUREMENT OTHER THAN INVESTMENT MANAGEMENT SERVICES**

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**POLICY FOR PROCUREMENT OTHER THAN INVESTMENT  
MANAGEMENT SERVICES**

**PURPOSE**

The purpose of this Policy is to provide criteria for determining the processes through which the San Bernardino County Employees' Retirement Association (SBCERA) may procure goods and services other than investment management services. Services should be procured in a manner that provides optimum value to SBCERA in consideration of product or service quality, life cycle, operating efficiency, warranty, maintenance cost, and compatibility with existing equipment or systems, cost, and other appropriate factors. These factors should be given different weights, depending upon the goals of the procurement. Not all factors will apply in all cases.

This policy is intended to provide flexibility to the Board and staff to utilize the process that will best achieve the goals of the procurement, while also providing guidelines and ensuring appropriate oversight.

**OPERATING CRITERIA**

1. Where the Value of the Goods and/or Services to be procured or rendered do not exceed \$25,000 in any given fiscal year, no formal procurement process will normally be required, and the CEO may approve the procurement and execute any Contracts without Board approval, but the CEO shall place on file documentation of the rationale for the procurement, including the methods used, for example, any informal solicitation of quotes or assessment of value or quality, to achieve the purposes of this Policy.
2. Where the Value of the Goods and/or Services to be procured exceeds \$25,000, but does not exceed \$100,000 in any fiscal year, Board approval is required, but no formal procurement process will normally be required, except where it will produce the optimal result, in light of the factors stated in the "Purpose" section above, and also in light of any delay that a formal process might require, the cost of the staff time required to manage a formal process, and the likelihood that the advantages of a formal process will outweigh the costs. In any case where a

formal procurement process is not used, the staff's memorandum to the Board shall provide documentation of the rationale for the procurement, including the methods used, for example, any informal solicitation of quotes or assessment of value or quality, to achieve the purposes of this Policy.

3. Where the Value of the Goods and/or Services to be procured exceeds \$100,000 in any fiscal year, a Formal Procurement Process shall be used unless an exception applies. In any case where a formal procurement process is not used, the staff's memorandum to the Board shall provide documentation of the rationale for the procurement, including the methods used, for example, any informal solicitation of quotes or assessment of value or quality, to achieve the purposes of this Policy. Exceptions are as follows:
  - A. Where the CEO concludes, and the Board concurs, that a Formal Procurement Process would be unavailing or would not produce an advantage, or where advertising for competitive bids or proposals would be undesirable, impractical, or impossible, in consideration of the principles stated in *Graydon v. Pasadena Redevelopment Agency* (1980), 104 Cal.App.3d, and related California caselaw;
  - B. When contracting for utilities or similar services such as, land-line telephone and internet, when the cost for such services has already been approved in the annual Board budget, no Formal Procurement Process is required and the Contract may be approved by the CEO, but the exception for land-line telephone services shall not extend to internal telephone systems or the software, hardware, and maintenance support for such systems;
  - C. Contracting for medical advisor services;
  - D. Contracting for litigation attorneys handling specific cases;
  - E. Contracts resulting from a clause in a similar contract held by another public agency that provides a right to SBCERA to avail itself of the terms of the contract, where the other public agency has entered the contract through a process that is generally sufficient to meet the purposes of this Policy;
  - F. Contracting with a vendor for services recommended by the building manager of 348 West Hospitality Lane, San Bernardino, California, and directly related to the management of that property; or
  - G. Contracts as to which the Board makes findings based upon the recommendations of the CEO and/or its outside consultant(s) that the

service provider is the sole reasonably accessible source of necessary or important goods or services.

4. All Contracts to be entered pursuant to this policy shall be presented to SBCERA's Chief Counsel or his or her designated subordinate attorney, for review and approval as to form and legality, prior to execution by the CEO.
5. Where a Contract is for legal services, Chief Counsel may exercise the powers that would otherwise reside in the CEO pursuant to this policy.
6. Where the Value of Goods and/or Services exceeds \$100,000 in any given year, the Contract shall generally be of no more than five years' duration, unless the Board finds that the specific circumstances of the Contract, the nature of the services or the market therefor, or other compelling factors require a longer term.
7. Where goods or services would naturally and normally be procured in a single Contract or process, such Contract or process shall not be subdivided into multiple Contracts or processes, or divided across multiple fiscal years, in order to evade the requirements of this Policy.
8. The CEO may waive the requirements of this Policy where it is necessary to procure goods and/or services on an emergency basis, and compliance with this Policy would result in delay or other consequences that would seriously impair the ability of SBCERA to discharge its core duties to its members and plan sponsors. All Contracts entered pursuant to this paragraph shall be reported to the Board, with justification therefor, at the next regularly scheduled Board meeting for which an agenda has not already been published.
9. The revisions to this Policy approved in Issue No. 2.0 shall not apply to any Contract entered, or Formal Procurement Process initiated, prior to the Board's approval of that Issue, but shall apply when such Contract is proposed for renewal thereafter.
10. Where a contract requires Board approval, a written final contract need not be presented to the Board prior to that approval unless the CEO deems it necessary under the circumstances of the procurement or the Board requires it, but the final contract shall be consistent with the terms of the Board's approval.
11. As used this policy, terms shall have the following meanings:
  - A. "Formal Procurement Process" shall mean a Request for Proposals, Invitation for Bids, Request for Information, or other formal process. The selection of a particular type of Formal Procurement Process shall be in the



discretion of the CEO, but the rationale shall be presented to the Board at the time of contract approval if such approval is otherwise required. The initiation of a Formal Procurement Process shall not require Board approval, unless the Board expressly requires it. The initiation of a Formal Procurement Process shall not constitute a legally binding offer to contract by SBCERA.

- B. "Request for Proposals" shall mean a process requiring proposers to submit detailed proposals for accomplishing the tasks or providing the items required, and shall involve evaluations based on a combination of quality, qualifications, experience, proposed plan of performance, proposal quality, cost, and other criteria as determined, and with relative weights assigned, by the CEO.
- C. "Invitation for Bids" shall mean a process whereby qualified bidders are invited to offer goods or services that meet certain stated mandatory criteria, and the winner is selected on the basis of the lowest cost responsive bid from a qualified and responsible bidder.
- D. "Request for Information" shall mean a process whereby a request is published which seeks to determine the existence, number, and availability of entities that may be able to provide needed or desired goods or services, and which is not necessarily intended to directly result in a contract with a winning proposer, but which may lead to a subsequent process, or directly to contracting if, considering the information submitted, it is determined that an appropriate contracting party or parties can be reliably identified without further process.
- E. "Chief Executive Officer" or "CEO" shall mean the SBCERA Chief Executive Officer or his or her designee, and shall include the Chief Operating Officer acting for the CEO in the CEO's absence.
- F. "Value of Goods and/or Services" shall mean the total value of all goods and/or services to be exchanged amongst all the parties to any contract, which may or may not be fully represented by a specific price or prices stated in the contract. Where a contract does not state a total price, or calls for the delivery of an indefinite quantity of goods or services, the CEO shall use a reasonable, good faith estimate of the likely annual cost to determine which criteria stated in this policy shall be applied.
- G. "Contract" shall mean a voluntary promise or set of promises to which SBCERA is a party, the performance of which the parties thereto intend to make enforceable at law or in equity, and for the breach of which the parties

intend that law or equity will provide remedies. Contracts shall be memorialized in writing in a form approved by Chief Counsel or his or her designee and executed by the CEO as authorized herein and in SBCERA's By-Laws, except that the requirement for a written contract may be waived by the approving authority based upon a finding that no written contract is necessary or appropriate in light of the totality of the circumstances.

Approved.

By:   
Chairman of the Board

**Subject:** Adjustment to the Pensionable Compensation Limit Policy

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**ADJUSTMENT TO THE PENSIONABLE COMPENSATION LIMIT POLICY**

**I. Purpose**

The purpose of this Policy is to establish a mechanism by which the pensionable compensation limit is adjusted each year for Tier 2 members pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), as amended by Senate Bill No. 13 (SB 13).

**II. Background**

PEPRA, as amended by SB 13, limits the pensionable compensation used to calculate the defined benefit paid to a Tier 2 member (membership dates on or after January 1, 2013) who retires from the system. The statute specifies the method for calculating the 2013 calendar year pensionable compensation limit (calculated at 120% of the federal social security limit) and requires subsequent adjustments to the limit be based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average (CPI-U), calculated by dividing the CPI-U for the month of September in the calendar year preceding the adjustment by the CPI-U for the month of September of the previous year, rounded to the nearest thousandth.

To encourage all California public retirement systems to use a uniform pensionable compensation limit, the California Actuarial Advisory Panel (CAAP) issued a non-binding calculation of the adjustment to the pensionable compensation limit for calendar year 2014, which is calculated pursuant to PEPRA, as amended by SB 13. CAAP also intends to provide the calculation adjustment to California public retirement systems, including SBCERA, in future years.

**III. Guidelines**

A SBCERA will use the CAAP calculation to provide for a uniform adjustment to the pensionable compensation limit on an annual basis, based on the following:

- i. SBCERA recognizes the CAAP is an advisory organization only; therefore, the Chief Executive Officer (or designee) [CEO] is required to independently evaluate the CAAP calculation and concur with it.

Recategorized as Benefits Policy No. 023  
Effective 01/01/2016

- ii. If the CEO concurs with the CAAP calculation, the adjusted limit will be used, in compliance with PEPPRA, as amended by SB 13. No Board action will be required to implement the CAAP derived limit.
- iii. If the CEO does not concur with the CAAP calculation, the CEO shall notify the Board, and recommend an appropriate limit for the Board's approval.
- iv. The CEO will report to the Board the CAAP calculated adjustment to the pensionable compensation limit on an annual basis, either by written communication or as an informational item at a Board meeting.

#### IV. Process Review

The Board shall review this Policy if CAAP no longer provides their annual adjustment letter to SBCERA to ensure that the policy remains relevant and appropriate.

Recategorized as Benefits Policy No. 023  
Effective 01/07/2016

California Actuarial Advisory Panel



Alan Milligan  
Chief Actuary  
California Public Employees'  
Retirement System  
Chairperson

November 26, 2013

Paul Angelo  
Senior Vice President  
and Actuary  
The Segal Company  
Vice Chairperson

RE: PEPRA Pension Compensation Limit (Code Section 7522.10)

To Whom It May Concern:

John Bartel  
President  
Bartel Associates

Pursuant to a request from a Public Agency, the California Actuarial Advisory Panel (the Panel) is publishing this letter to provide a calculation of the Pension Compensation Limits for the Calendar Year 2014.

Leslie Finertie  
Senior Actuary  
MyVal Center

**Background:**

Harold A. Loeb  
Principal and Consulting  
Actuary  
Buck Consultants

Pursuant to Government Code Section 7507.2(b), the responsibilities of the Panel include "Replying to policy questions from public retirement systems in California" and "Providing comment upon request by public agencies". On November 5<sup>th</sup>, 2013, members of the Panel received a request from a public retirement system (the San Joaquin County Employees' Retirement Association) to compute and publish the annual compensation limit for 2014 prescribed by the California Public Employees' Pension Reform Act of 2013 (PEPRA), as amended by Senate Bill No. 13 (SB 13). This request was made to address a concern that minor calculation or rounding differences could result in different systems calculating slightly different pension compensation limits.

Rick Reed  
Chief Actuary  
California State Teachers'  
Retirement System

Graham Schmidt  
Consulting Actuary  
Cheiron

The Panel has agreed to calculate the dollar amounts of the pension compensation limits for 2014, as we believe that the use of a uniform compensation limit will provide administrative benefits to California's public retirement systems. However, as the Panel is an advisory body only (Government Code Section 7507.2(e) states that "The opinions of the California Actuarial Advisory Panel are nonbinding and advisory only"), the Panel encourages each system to independently review the calculation of the pension compensation limits contained in this letter.

**Analysis:**

SB 13 amended Section 7522.10 of the Government Code as follows:

*7522.10. (a) On and after January 1, 2013, each public retirement system shall modify its plan or plans to comply with the requirements of this section for each public employer that participates in the system.*

Recategorized as Benefits Policy No. 023  
Effective 01/01/2016

California Actuarial Advisory Panel



Alan Milligan  
Chief Actuary  
California Public Employees'  
Retirement System  
Chairperson

Paul Angelo  
Senior Vice President  
and Actuary  
The Segal Company  
Vice Chairperson

John Bartel  
President  
Bartel Associates

Leslie Finertie  
Senior Actuary  
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Harold A. Loeb  
Principal and Consulting  
Actuary  
Buck Consultants

Rick Reed  
Chief Actuary  
California State Teachers'  
Retirement System

Graham Schmidt  
Consulting Actuary  
Chelron

(b) Whenever pensionable compensation, as defined in Section 7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the limitations set forth in subdivision (c).

(c) The pensionable compensation used to calculate the defined benefit paid to a new member who retires from the system shall not exceed the following applicable percentage of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code on January 1, 2013:

(1) One hundred percent for a member whose service is included in the federal system.

(2) One hundred twenty percent for a member whose service is not included in the federal system.

(d) (1) The retirement system shall adjust the pensionable compensation described in subdivision (c) based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average, calculated by dividing the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September in the calendar year preceding the adjustment by the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September of the previous year, rounded to the nearest thousandth. The adjustment shall be effective annually on January 1, beginning in 2014.

The maximum pensionable compensation specified under Section 430(b) of Title 42 of the United States Code for 2013 is \$113,700<sup>1</sup>. For public pension system members who are new members under PEPRA and whose service is included in the federal Social Security system, their compensation used to calculate a defined benefit and their member contributions are limited to this amount (\$113,700) during calendar year 2013. For new members whose service is not included in the federal system, the limit is 120% of this amount (\$136,440).

The Consumer Price Indices for All Urban Consumers (CPI-U) U.S. City Average for the months of September 2012 and 2013 are as follows<sup>2</sup>:

- September, 2013: 234.149
- September, 2012: 231.407

<sup>1</sup> <http://www.ssa.gov/oact/cola/cbb.html>

<sup>2</sup> <http://data.bls.gov/timeseries/CUUR0000SA0>

Recategorized as Benefits Policy No. 023  
Effective 01/01/2016

California Actuarial Advisory Panel



Alan Milligan  
Chief Actuary  
California Public Employees'  
Retirement System  
Chairperson

Paul Angelo  
Senior Vice President  
and Actuary  
The Segal Company  
Vice Chairperson

John Bartel  
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Retirement System

Graham Schmidt  
Consulting Actuary  
Cheiron

The annual change, computed by dividing the 2013 Index by the 2012 Index, rounded to the nearest thousandth is as follows:

•  $234.149 \div 231.407 = 1.012$

Applying this annual adjustment to the 2013 limits yields the following limits for calendar year 2014:

- $\$113,700 \times 1.012 = \$115,064$  (included in federal system)
- $\$136,440 \times 1.012 = \$138,077$  (not included in federal system)

**Conclusion:**

The calculations described above indicate the use of a compensation limit for new PEPPRA members for Calendar Year 2014 of \$115,064 for members participating in the federal system (7522.10(c)(1) limit) and \$138,077 for members not participating in the federal system (7522.10(c)(2) limit). The Panel intends to provide similar calculations in future years. The contents of this letter are nonbinding and advisory only, and we encourage each public retirement system to independently evaluate these calculations.

Sincerely,

*Alan Milligan*  
Alan Milligan, FSA, FCA, MAAA  
Chair, California Actuarial Advisory Panel

- Panel members:
- Paul Angelo, Vice Chair
  - John E. Bartel
  - Leslie Finertie
  - Harold A. Loeb
  - Rick Reed
  - Graham Schmidt

Recategorized as Benefits Policy No. 023  
Effective 01/01/2016



**POLICY NO.** 013  
**Committee:** Administrative  
**Issue No.** 3.0  
**Effective Date:** 4/07/2016  
**Policy Category:** Administration  
**Page(s)** 5  
**Category:**  
**Approved.**

By:   
Chairman of the Board

**Subject: Expenditure Budget Approval Policy**

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## EXPENDITURE BUDGET APPROVAL POLICY

### I. Purpose

The purpose of this Expenditure Budget Approval Policy is to establish the policy by which the annual budget covering the entire expenditures of the retirement system of the San Bernardino County Employees' Retirement Association (SBCERA) is presented to, and approved by the Board of Retirement (Board).

### II. Objectives

1. To provide the Board and the Chief Executive Officer (CEO) with a clear process for establishing its annual budget covering the entire expenditures of the retirement system;
2. To adopt an annual administrative budget in compliance with Government Code section 31580.2 (requires the budget be limited to a percentage of the Actuarial Accrued Liability of the retirement system); and,
3. To ensure the annual budget is presented and adopted in a timely and transparent manner.

### III. Guidelines

#### 1. General Provisions

- A. The development of the proposed expenditure budget is the responsibility of the CEO.
- B. The adoption of the annual expenditure budget is the responsibility of the Board.



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2. Proposed Expenditure Budget Presentation

- A. The format of the proposed expenditure budget shall be presented in the following functional areas:
- I. Administrative Expenditure Budget (appropriations that are limited pursuant to Government Code section 31580.2)
  - II. Non-Administrative Expenditure Budget (appropriations that are not limited pursuant to Government Code section 31580.2) organized by function as follows:
    - i. Actuarial
    - ii. Legal
    - iii. Technology
    - iv. Investment
    - v. Other (if applicable)
- B. Each functional area shall be broken down into the following budget categories of expenditures (if applicable):
- a. Personnel Costs
  - b. Professional Services
  - c. Operational Services and Supplies
  - d. Capital Expenditures (capital assets as defined in Board Administration Policy No. 019, when effective)
- C. For each category of expenditure, the following information shall be presented, but not limited to:
- i. Approved Modified Budget – the budget authorization, as modified by the Board, for the current fiscal year.
  - ii. Estimated Actual – an estimate for actual expenditures expected for the current fiscal year.
  - iii. Proposed Budget – the proposed budget amount for the upcoming fiscal year.
  - iv. Variance from Prior Year Budget – the amount of variance between the Proposed Budget and the Approved Modified Budget.
  - v. % Change – the percentage change in the Variance from Prior Year Budget over the Approved Modified Budget.
  - vi. For the Administrative Expenditure Budget Only:
    - i. Total % of Authorized Budget – the percentage of the Proposed Budget over the total budget authorization for the upcoming fiscal year.

**POLICY: SBCERA EXPENDITURE BUDGET APPROVAL POLICY**

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- ii. Total % of Appropriated Budget – the percentage of the Proposed Budget over the total appropriations for the upcoming fiscal year.
  - vii. Appendix: Line item detail for each functional area, broken down for each category of expenditure, shall be presented as supplementary information in the appendix section of the proposed expenditure budget.
- D. In the Administrative Expenditure Budget, the Unrestricted Contingency Funds (the difference between the budgeted appropriated expenditures and the total allowable expenditures per statute) shall be set aside as a separate category line item. Those funds are available for further appropriation with Board approval.
- E. To ensure all expenditures of SBCERA are reported to the Board, the following provisions apply to those expenditures hereby excluded from the budget requirements above:
  - I. Expenditures for benefits and refunds paid to members and beneficiaries shall be excluded from the expenditure budget, as those expenditures are not discretionary, they are paid pursuant to Plan requirements. However, to assure full transparency, these expenditures shall be provided in the budget report for informational purposes only, not as a budgetary line item, reflecting estimated actual costs for the current fiscal year compared to a projection for actual costs for the upcoming fiscal year.
  - II. Expenditures for indirect investment costs that will be deducted directly from investment returns, such as indirect management fees, indirect investment expenses, foreign income tax and security lending fees, shall be excluded from the expenditure budget, as those expenditures are included in the net asset value of the investment return reports presented to the Board by staff and/or SBCERA's investment consultant on a monthly basis. However, to assure full transparency, these expenditures shall be provided in the budget report for informational purposes only, not as a budgetary line item, reflecting estimated actual costs for the current fiscal year compared to a projection for actual costs for the upcoming fiscal year.

**3. Budget Authorization**

- A. California Government Code section 31580.2 requires SBCERA to prepare and approve an administrative expenditure budget covering the entire administrative expense of the retirement system. The expense incurred in any fiscal year may not exceed a set percentage of the Actuarial Accrued Liability (AAL) of the retirement system.
- B. Certain expenses of the retirement system are excluded from the budget limits described above, including but not limited to, California Government Code sections 31522.7, 31529.9, 31596.1 and 31580.2(b), which respectively excludes legal services costs, investment costs, actuarial services costs, custodial banking fees and certain technology expenditures. Therefore, those expenditures are budgeted for separately in the Non-Administrative Expenditure Budget (except where excluded in section 2. E. above).
- C. The AAL, as determined by the system's actuary, in November each year, will be used to calculate the following fiscal year's administrative budget authorization. In November, the AAL will also be reviewed for the current fiscal year to determine the following:
  - I. If the AAL has increased, the budget authorization for the current fiscal year may not be increased without approval of the Board.
  - II. If the AAL has decreased, the CEO (or designee) shall present a revised budget authorization to the Board, by January of the following year, if necessary to remain in compliance with the limitation set forth in Government Code section 31580.2.
- D. The CEO is granted authority to transfer funds within a budget category, to accomplish the goal of administering the operations of SBCERA. Funds may not be moved from one budget category to another without approval from the Board except as follows:
  - I. As authorized in Board Administration Policy 016 – SBCERA Position Dual-Fill Policy.
  - II. The Non-Administrative Expenditure Budget is organized by function (actuarial, legal, technology, investments and other) and then by budget category. When the same budget category exists in more than one function, the CEO is granted authority to transfer funds between functions, as long as the transfer of funds remains in the same budget category.

**IV. Adoption, Amendment and Review**


- A. The annual budget for the upcoming fiscal year shall be approved by the Board no later than June of each year.
- B. The CEO (or designee) may request the Board to amend the budget for the current fiscal year by presenting reasons for the budget amendment, its expected operational impact, and the cost of the amendment for the remainder of the current fiscal year and future fiscal years (if applicable).
- C. The CEO (or designee) will provide quarterly budget review reports to the Board with comments on deviations from the adopted budget for each category of expenditures for both functional areas.



**POLICY NO.** 014  
**Committee** None  
**Policy Category:** Administration

**Issue No.** 1.0  
**Effective Date:** 06/05/2014  
**Page(s)** 4

**Approved.**

  
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Chairman of the Board

**Subject: BACKGROUND AND REFERENCE CHECKS POLICY**

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## BACKGROUND AND REFERENCE CHECKS POLICY

### PURPOSE

To establish procedures for conducting pre-employment background and reference checks on all potential new hires and employees considered for promotion to administrative, professional, supervisory, or management positions.

Background and reference checks are used to verify information provided by the applicant and to obtain additional information (i.e., a criminal record, work experience/history, education, licensure, credit history, and/or driving record) to determine suitability for the position for which they are being considered.

### POLICY STATEMENT

It is the policy of the San Bernardino County Employees' Retirement Association (SBCERA) to conduct pre-employment and pre-appointment reference and background checks on all potential new hires and specified promotional candidates prior to hire or promotion.

### RESPONSIBILITIES AND PROCEDURES

1. SBCERA will select vendors to conduct background and pre-employment reference checks as deemed necessary.
2. SBCERA's hiring process should result in the selection of individuals who will promote and further the organizational mission. To that end, unless as otherwise prohibited by law, appropriate background checks are required for all new hires and, if applicable, promotional applicants to assure the selection of individuals who are well qualified and suitable for SBCERA employment. Please refer to the attached guidelines.
3. SBCERA Human Resources is responsible for advising the Chief Executive Officer and the Chief of the hiring department on the conduct of background and reference checks, as well as the overall administration of this policy.

4. At the time of the job offer, the hiring department must inform the candidate that the offer is contingent upon successful completion of pre-employment background and reference checks. Once the conditional offer has been made, but prior to any pre-employment medical examination, Human Resources will provide the candidate an authorization to release information and personal history form provided by selected background company.
5. Candidate(s) for positions shall be subject to the following checks, unless otherwise prohibited by law.
  - a. Criminal Courts check – in addition to fingerprinting through Department of Justice
  - b. Driver History
  - c. Social Security Number Verification
  - d. Address Verification
  - e. Employment History Verification
  - f. Reference Checks
  - g. Education Verification (if required for the position)
  - h. License or Certification (if required for the position)

To the extent permitted by California Labor Code Section 1024.5 or other applicable law, all positions shall also be subject to the following additional checks of their credit history

- a. Bankruptcies and Notices of Default
  - b. Civil Court Judgments
  - c. County, State, Federal Tax Liens
  - d. Credit Check
6. For positions at Department Chief level or higher, candidate(s) may be subject to the checks identified above and, in addition, to face-to-face background and reference check interviews.
7. The results of background and reference checks and fingerprint reports shall be reported by Human Resources to the Chief Executive Officer and to the Chief of the hiring department.
8. In determining whether the results of a background and reference check support a hiring decision, special caution shall be exercised with regard to any candidate with a record of poor integrity or financial misconduct, or whose credit history indicates a present likelihood of financial vulnerability. Once a determination is made that a candidate is suitable for hire or promotion, and clearance of all other conditions has

been obtained, the candidate may be scheduled for a physical examination if required.

9. All records, including consumer credit reports/consumer reports and/or an investigative consumer report provided by third party vendors, shall be provided to candidates pursuant to applicable Federal and State laws.
10. All background and reference check results shall be maintained by Human Resources in confidential files, separate from employee personnel files.
11. Reference checks of candidates for internal promotion, transfer, or demotion within SBCERA will only be conducted by Human Resources or authorized SBCERA representatives.

Attachment: Background Check Guidelines

Recategorized as CEO Policy No. 023 (Effective 01/09/2020)

**BACKGROUND CHECK GUIDELINES**

<b>Pre-employment and Background Categories</b>	<b>Approx. Time</b>	<b>Suggested for*</b>
Pre-employment Physical	2 days to 1 week	All new hires
Fingerprint (Live Scan) DOJ – Statewide criminal history check	2 days to 2 weeks	All new hires and all promotions <u>excluding</u> employees promoted (1) within the same classification series, or (2) who are subject to subsequent arrest notification, or (3) outside their classification series unless dictated by job requirements, as determined by SBCERA
<b>Category I check</b> : verification of Social Security number; limited criminal check (one county only); driving history check	48 hours	All new hires
<b>Category II check</b> : verification of Social Security number; limited criminal check (one county only); driving history check; <b>credit check</b>	48 hours	All new hires or promotions as applicable under California Labor Code
<b>Category III check</b> : verification of Social Security number; limited criminal check (one county only) ; driving history check; credit check; <b>verification of employment history and college education</b>	72 hours	All new hire or promoted managers; All new hires and promotions to positions requiring certificates, degrees, or licensure
<b>Executive/Administrative</b> – covers all areas of Category III, plus review of court records and personal contact with current and former employers and professional references.	2 to 4 weeks	All new hires and promotions to Department Chief level or higher

\*Depending upon type of work performed, a higher category of check may be appropriate

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**POLICY NO.** 015  
**Committee** Admin Comm.  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 2.0  
**Effective Date:** 04/05/2018  
**Page(s)** 5

*Craig Fiorino*  
Chair of the Board

**Subject: RETIREES RETURNING TO WORK**

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**RETIREES RETURNING TO WORK**

**Introduction**

SBCERA is responsible for ensuring the proper payment of benefits to retirees who have earned and are legally entitled to those benefits, and also for ensuring that the benefits it pays are limited to those to which the recipients are legally entitled. Under applicable law, including the County Employees' Retirement Act of 1937 and the Public Employees' Pension Reform Act of 2013, persons receiving retirement allowances from SBCERA may work for SBCERA employers only under limited circumstances. Thus, it is necessary for SBCERA to monitor the SBCERA retirees who return to work for SBCERA's participating employers, in order to ensure that benefits are paid to such re-employed retirees when, and only when, such payments comply with the law, including but not limited to sections 7522.56 and 31680.6 of the California Government Code. Further, SBCERA must ensure that, when such re-employment violates applicable limits, proper action is taken under the law including but not limited to reinstatement of the re-employed retiree to active membership under section 31680.7. Finally, SBCERA must ensure that implementation of these provisions remains consistent with the rights of members and beneficiaries, and with its fiduciary duties to members, beneficiaries, and plan sponsors.

**Operating Criteria**

When an SBCERA participating employer employs or proposes to employ an SBCERA retiree, whether as an employee or through a contract directly with the employer, but intends not to restore that retiree to active membership, the following shall apply:

1. The employer shall report the proposed re-employment to SBCERA prior to its commencement. The report shall be signed by both the employer and the employee, and shall contain at least the following information:
  - a. An acknowledgement by the employer and the employee that they are aware of, and agree to comply with the requirements of:
    - i. sections 7522.56 and 31680.6 of the Government Code, and

Recategorized as Benefits Policy No. 032 (Effective 01/09/2020)

- ii. this Policy.
- b. Certification that one of the following is true:
  - i. the re-employment is necessary during an emergency to prevent stoppage of public business; or
  - ii. the employee has skills needed to perform work of limited duration.
- c. An explanation of the limit or limits on the duration of the re-employment.
- d. Certification that the employee will not or did not commence re-employment within 180 days following the date of retirement, or, if re-employment commenced or will commence within 180 days of retirement, that the employee did not receive a retirement incentive upon retirement and that one or more of the following is true:
  - i. that the employee is a public safety officer or firefighter, and that the re-employment is for the performance of functions regularly performed by a public safety officer or firefighter; or
  - ii. that the re-employment is necessary to fill a critically needed position before 180 days have passed, and has been approved by the governing body of the employer in a public meeting on the non-consent calendar.
- e. Certification that the employee has not, during the twelve months prior to re-employment, received any unemployment insurance compensation arising out of the employee's prior employment with an SBCERA participating employer.
- f. That the employee will not work more than 960 hours in any fiscal year ending June 30.
- g. That the employee's pay during re-employment will be not less than the minimum, nor greater than the maximum, paid to other employees performing comparable job duties.
- h. That the employee understands that while SBCERA and the employer will cooperate with the employee and with one another to facilitate compliance, compliance is ultimately the employee's responsibility, and failure to

comply with the requirements of Government Code sections 7522.56 and 31680.6, as implemented through this Policy, may, at the discretion of the Board of Retirement (Board), result in the following, effective on the date upon which the re-employment ceased to be in compliance with those sections:

- i. Reinstatement of the employee to active membership status, with a suspension of any retirement benefit payments;
  - ii. A requirement that all retirement benefit payments received during any unlawful re-employment be returned to SBCERA, with interest;
  - iii. The collection by SBCERA from both the employee and employer, as applicable, of contributions on any pay received by the employee during any period of unlawful re-employment; and
  - iv. The employee earning a new benefit for the period of re-employment, pursuant to section 31680.7.
2. Re-employment will be presumed to be in compliance with the requirement that it be of "limited duration" if the limit on the duration of the re-employment is eighteen (18) months or less. If there is no specified ending date for the re-employment, or if the specified ending date is more than eighteen months from commencement of re-employment, the employer shall submit to SBCERA a statement explaining the limit on the duration of the re-employment. Such re-employment in excess of eighteen (18) months shall be considered of limited duration, despite having no stated ending date, only if all of the following are true:
- a. Re-employment is necessary to enable the employer to continue effective operations in light of genuinely extreme necessity that is unavoidable or could not have been anticipated. The retiree's retirement shall not, in and of itself, be considered to have given rise to the extreme necessity to which this paragraph refers;
  - b. Re-employment is limited to the completion of a discrete quantity of genuinely limited work that one would expect to be completed at a foreseeable time;
  - c. The re-employment has been approved by the Board, either prior to its commencement or, if the extreme necessity requires commencement of

re-employment before Board approval can be sought, then at the first Board meeting thereafter at which the matter may be considered, pursuant to findings that all of the applicable requirements of section 7522.56 and of this policy have been complied with.

Such re-employment shall not be considered to be of limited duration if the re-employment is the functional equivalent of a permanent part-time position, or if the stated limit on the duration is such that the re-employment is effectively unlimited.

3. Retirees who have returned to work prior to the effective date of Issue No. 1.0 of this policy shall be treated as if their return to work commenced on the effective date of Issue No. 1.0 of this policy. Retirees who have returned to work, or who have submitted certification forms to SBCERA, after the effective date of Issue No. 1.0 of this policy but prior to the effective date of Issue No. 2.0 of this policy shall be treated in the manner provided for in Issue No. 1.0.
4. SBCERA staff shall monitor compliance with this policy through methods determined by the Chief Executive Officer (CEO) or designee, which may include, but shall not be limited to, the following:
  - a. Requiring employers to report to SBCERA when any re-employed retiree has worked at least 700 hours in any fiscal year ending June 30 or to provide SBCERA with access to the employer's payroll system in a manner that permits SBCERA staff to directly access such information;
  - b. Requiring employers to report when a re-employed retiree has less than six months duration remaining on a period of re-employment that was commenced with a stated end-date, and any instance in which such an employee continues to work beyond the originally stated end-date, or in which the employer extends the originally stated end-date with an explanation of such extension;
  - c. Requiring documentation of compliance with any of the requirements of section 7522.56.
5. If genuine documentation regarding the re-employment of a retiree is submitted as required by this Policy and accepted by SBCERA as adequate at the time of the re-employment, this shall be considered conclusive evidence that the re-employment was commenced in compliance with applicable law. The CEO or

designee shall notify the employer in writing of the acceptance of the documentation required by this policy.

6. If the CEO or designee becomes aware that any retiree's re-employment is in violation of applicable law including but not limited to sections 7522.56 and 31680.6 of the Government Code, the matter shall be presented to the Board for a determination as to whether to suspend the re-employed retiree's retirement allowance and restore the member to active membership, the effective date of such action, the recovery of any improperly paid benefits, the collection of any contributions that may be owed, and any other appropriate action. The re-employed retiree shall be provided with a copy of all documents that form the basis of the recommendation no later than seven days prior to the Board meeting at which said action is to be taken. In the event the CEO or designee denies the request for re-employment without suspension of benefits, the member or the employer shall have the opportunity to appeal that decision to the Board pursuant to paragraph 3(b) of Board Benefits Policy No. 025 (Requests for Pension Benefits and the Presentation of Supporting Information). Action by the Board under this paragraph shall be reviewable in Superior Court of California County of San Bernardino as a final administrative action, pursuant to section 1094.6 of the California Code of Civil Procedure.

Recategorized as Benefits Policy No. 032 (Effective 01/09/2020)



**POLICY NO.** 016  
**Committee:** Admin Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 2.0  
**Effective Date:** 4/4/2019  
**Page(s)** 2

By: James P. Hefner  
Chair of the Board

**Subject: SBCERA POSITION DUAL-FILL**

## SBCERA Position Dual-Fill

### PURPOSE

The purpose of this policy is to establish general guidelines to be used to ensure appropriate staffing levels and adequate transitional training for permanent positions that will be vacated at the San Bernardino County Employees' Retirement Association (SBCERA). SBCERA uses a process called dual-filling when more than one employee is assigned to a single position on a temporary basis. Dual-filling results in a temporary net increase in total employees, but is not used to permanently increase SBCERA's approved staffing levels.

### POLICY

When an SBCERA permanent position will be vacated due to the incumbent's retirement, resignation, or extended leave of absence, the position may be dual-filled on a permanent or provisional basis for up to six (6) months for training or other legitimate business purposes. This advanced appointment requires the approval of the Chief Executive Officer (CEO), but does not require a position allocation change or Board of Retirement approval. Approval may be granted by the CEO only when all the following conditions have been met:

1. There is a critical and legitimate business need to dual-fill the position.
2. The incumbent has submitted a letter of retirement or resignation, or has been granted an approved extended leave of absence.
3. Coverage of the position cannot be accomplished by reallocating job duties to other positions on a temporary basis.

Such dual-fill appointment shall be by appropriate means, and in accordance with the Memorandum of Understanding with SEIU Local 721, where applicable.

When possible, dual-fill positions will be funded from each budget's personnel appropriation limits with a level of funding commensurate with the proposed dual-fill position during the normal budget process. For the purposes of this policy, where sufficient funds are not adequate to cover a proposed dual-fill position, the CEO shall have authority to approve transfer of personnel funds between budgets (i.e., Administrative budget to Non-Administrative budget).

The CEO, or his/her designate, will report any transfer of personnel funds for the purpose of dual-filling a position to the Board at the next quarterly budget review report after the approval. If sufficient funds are not available in either budget to cover the cost of dual-filling the position, the CEO may request, and the Board may grant, an appropriation of contingency funds at a regularly scheduled Board meeting, to satisfy the dual-fill.



<b>POLICY NO.</b>	017	<b>Issue No.</b>	1.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	11/05/2015
<b>Policy Category:</b>	Administration	<b>Page(s)</b>	2

**Approved**

By:   
 Chairman of the Board

**Subject: POLICY ON CONSENT AGENDAS**

**POLICY ON CONSENT AGENDAS**

**PURPOSE**

The purpose of this policy is to expedite the conduct of routine business during San Bernardino County Employees' Retirement Association (SBCERA) Board of Retirement meetings.

**POLICY**

The consent agenda shall consist of routine administrative, legal and financial matters that require Retirement Board action. Consent agenda items are expected to be non-controversial and not requiring of discussion or explanation prior to action by the Retirement Board. Consent items will include decisions such as, but not limited to, ministerial and/or perfunctory tasks (i.e., approval of agendas, minutes, reports, addressing routine correspondence and approving Trustee and staff travel requests). Other consent items may include applications for disability retirement benefits in which SBCERA staff recommends approval of the applicant's complete requested benefits or in disability reconsideration cases where the applicant has failed to submit additional material within the mandatory six (6) month deadline and the initial Board decision stands.

The consent agenda generally is voted on in a single majority vote, but it may be divided into several, separate items. Motions, resolutions and all supporting materials will be provided in advance of the meeting. No item will be added to the consent agenda after it has been finalized and placed in the hands of the Retirement Board members and the public.

At regularly scheduled meetings of the Retirement Board, the Chair will call for a seconded motion to accept all items on the consent agenda. Any Retirement Board member, the Chief Executive Officer, Chief Counsel, or a disability applicant or his representative may request removal of one or more items from the consent agenda. The Board Chair will determine where on the agenda those items will be discussed and a separate motion, if necessary, will be made. Disability applications removed from the consent agenda for discussion shall be moved to the closed session or tabled for a future Retirement Board meeting. Having accepted the amended list of items to be



**POLICY: Policy on Consent Agendas**  
**Page 2**

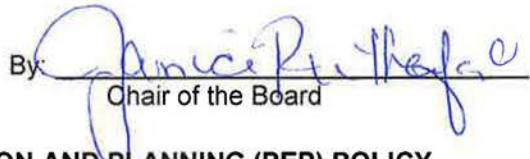
included on the consent agenda, the Chair will call for a further seconded motion to approve the remaining consent items en masse.

The consent agenda items shall be separately recorded in the minutes of the Retirement Board meeting, and indicate which, if any, items were removed and addressed separately. Supporting materials shall be saved with the agenda to document the information upon which the Retirement Board based its decision.



**POLICY NO.** 018 **Issue No.** 2.0  
**Committee:** Admin Committee **Effective** 4/4/2019  
**Policy Category:** Administration **Date:**  
**Page(s)** 2

**Approved.**

By:   
Chair of the Board

**Subject: SBCERA STAFF PERFORMANCE EVALUATION AND PLANNING (PEP) POLICY**

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## **SBCERA Staff Performance Evaluation and Planning (Pep) Policy**

### **PURPOSE**

The San Bernardino County Employees' Retirement Association (SBCERA) Performance Evaluation and Planning (PEP) appraisal system offers a consistent approach and operating philosophy for use by supervisors/managers to provide feedback and assessment of employees' performance through annual evaluations.

The principal objectives of PEP appraisals are to:

- Evaluate and improve performance,
- Facilitate mutual feedback and communication between the employee and the supervisor/manger,
- Develop or modify objectives, and the means to implement those objectives,
- Plan professional development and training,
- Provide a fair basis for compensation recommendations.

### **POLICY**

Each SBCERA employee shall receive a Performance Evaluation and Planning (PEP) appraisal not less than annually (in increments of 2,080 service hours). Newly hired employees shall receive an evaluation after completion of 1,040 service hours from their date of hire and subsequent appraisals after completion of 2,080 service hours thereafter. Periodic or special PEP appraisals may be initiated by the employee's Department Chief or by the Chief Executive Officer.

The Chief Executive Officer (CEO) and Chief Counsel shall receive performance appraisals from the Board of Retirement (Board). The full Board shall determine the contents of the final performance appraisal, although individual Board members may abstain from submitting responses to certain questions or from submitting a completed appraisal. The performance appraisal may be presented by the full Board, by an Ad Hoc Committee of the Board established to coordinate the completion of the PEP appraisal, or by the Board Chair or Ad Hoc Committee Chair, as the Board Chair directs. The Board Chair may create an Ad Hoc Committee, and appoint Committee Members and a Chair

for the purpose of facilitating completion of the CEO's or Chief Counsel's appraisal. The format and framework for completion of the CEO's or Chief Counsel's appraisal shall be reviewed with the Board annually.

Each SBCERA employee's PEP appraisal form shall be personally reviewed with him/her by the immediate supervisor or higher authority as assigned by the Department Chief or Chief Executive Officer. Both the supervisor and the employee shall sign and date the PEP appraisal, as well as higher authorities as applicable. The employee's signature acknowledges receipt and not necessarily agreement. The employee may provide comments to explain or clarify points made in the PEP appraisal within thirty (30) days of receipt of the evaluation. The PEP appraisal and any attachments shall then be filed in the subject employee's personnel record in a secure and confidential manner.

PEP appraisal results may be used as the basis for salary actions, promotions, demotions, suspensions, dismissals, and other such actions, consistent with SBCERA's Memorandum of Understanding with SEIU Local 721, Employment Resolution, Salary Rate and Step Advancement Plan, and any other applicable authority. The Chief Executive Officer shall have the authority to review all staff salary increase/adjustment requests to ensure compliance with the SBCERA Salary Rate and Step Advancement Plan.

**POLICY NO.** 019  
**Committee:** Administrative  
**Policy Category:** Administration

**Issue No.** 2.0  
**Effective Date:** 7/01/2016  
**Page(s)** 2

Approved.

By:   
Chairman of the Board

**Subject:** CAPITAL AND CONTROLLED ASSETS POLICY

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## CAPITAL AND CONTROLLED ASSETS POLICY

### Purpose

The purpose of this policy is to establish guidelines for the physical control of and accountability for capital assets and controlled assets owned by the San Bernardino County Employees' Retirement Association (SBCERA).

### Operating Criteria

The Chief Executive Officer (CEO) (or designee) shall maintain a capital and controlled assets system that provides for a complete record of individual capital assets and controlled assets owned by SBCERA.

### *Capital Assets*

Capital assets are assets that are purchased by SBCERA having a single value greater than or equal to a capitalization threshold of \$25,000, are used in operations, and have an initial useful life extending beyond a single reporting period.

Capital assets may be either tangible assets (having a physical existence such as land, land improvements, buildings, building improvements, furniture, computers and equipment) or intangible assets (non-physical in nature such as computer software) and are reported as capital assets on SBCERA's Statement of Fiduciary Net Position.

Capital assets shall be recorded and reported at their historical cost, which includes all costs incurred to acquire, install, and prepare the asset for its intended use. These costs include tax, shipping, and other incidental costs. Capital assets donated to SBCERA shall be reported at their estimated fair value at the date of donation.

Useful lives are assigned to capital assets and are an estimate of the number of years the asset is expected to last. Useful lives are determined based on professional judgment, and by using past experience with similar assets, or other factors deemed appropriate to the particular circumstances of the asset. The CEO (or designee) shall

establish estimated useful lives for major categories of capital assets and shall periodically review and adjust such categories to reflect actual experience when deemed appropriate. Capital assets are depreciated or amortized over the useful life of the asset in accordance with applicable standards set forth by GASB.

Capital asset improvement costs shall be added to the cost of the original asset if the value of the asset or estimated life is increased by 25% of the original cost, or the cost results in an increase in the capacity of the asset, or the efficiency of the asset is increased by more than 10%. If not, the improvement cost is considered a minor betterment and shall be expensed as a repair.

#### *Controlled Assets*

Controlled Assets are assets that are identified by the CEO (or designee) that must be secured and tracked as inventory, as the cost of these assets are below the capitalization threshold and reported as deductions (expenses) on SBCERA's Statement of Changes in Fiduciary Net Position.

#### *Inventory of Capital and Controlled Assets*

The CEO (or designee) shall conduct a physical count of inventory for capital and controlled assets at least once every other year. The following assets are excluded from the physical count:

- Stationary assets including, but not limited to, land, infrastructure and buildings.
- Items incapable of being individually and separately inventoried such as components of equipment which cannot be physically examined without taking the equipment out of service.
- Intangible assets.

#### *Disposal of Capital and Controlled Assets*

In order to maintain accurate capital and controlled asset records, asset disposals shall be recorded promptly. Assets determined to be obsolete or unusable may be declared surplus and disposed of. Assets are generally disposed of by auction, direct sale, donation, destruction, scrapped, recycled, or are traded in to reduce the cost of a replacement item.

If an asset is lost or destroyed by means other than above, the CEO must be notified immediately and appropriate action must be taken.

Assets identified as surplus shall be assigned a fair market value, based on a median sales price of like property from an independent source, such as a reputable online or local vendor. If the fair market value is less than \$25,000, the method of disposal shall require the approval of the CEO (or designee). If the fair market value is \$25,000 or more, the Board of Retirement will choose the method of disposal.



<b>POLICY NO.</b>	020	<b>Issue No.</b>	1.0
<b>Committee:</b>	Admin Committee	<b>Effective Date:</b>	09/06/2018
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<b>Approved.</b>			

By: *Pam Fiorino*  
Chair of the Board

**Subject: FELONY FORFEITURE OF BENEFITS**

**FELONY FORFEITURE OF BENEFITS**

**SECTION I. PURPOSE AND SCOPE**

The Public Employees' Pension Reform Act of 2013 (PEPPA) added two Felony Forfeiture Statutes applicable to all public employees as of January 1, 2013.

1. Government Code section 7522.72 applies to public employees who were first employed, appointed, or elected **before** January 1, 2013.
2. Government Code section 7522.74 applies to public employees who were first employed, appointed, or elected **on or after** January 1, 2013.

(Collectively, the statutes are referred hereinafter as the "Felony Forfeiture Statutes.")

Both Felony Forfeiture Statutes provide that when a public employee (Member) is convicted on or after January 1, 2013 by a state or federal trial court of any felony under the law it mandates forfeiture of benefits:

- (a) For conduct arising out of or in the performance of [the public employee's] official duties, in pursuit of the office or appointment [of the public employee], or in connection with obtaining salary, disability retirement, service retirement or other benefits. (Gov. Code §§ 7522.72, subdiv. (b)(1) & 7522.74, subdiv. (b)(1).)
- (b) If a public employee who has contact with children as part of his or her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties. (Gov. Code §§ 7522.72, subdiv. (b)(2) & 7522.74, subdiv. (b)(2).)

The result of the Member's conduct and subsequent conviction due to such conduct as described above, mandates that the Member forfeit accrued rights and benefits in any public retirement system he or she is a Member of at the time the felony is committed retroactive to the first commission date of the crime. After the forfeiture of benefits, a Member cannot return to SBCERA covered employment and accrue further benefits in

SBCERA. (Gov. Code §§ 7522.72, subdiv. (c)(1) & Gov. Code §§ 7522.74, subdiv. (c)(1).)

The Felony Forfeiture Statutes require SBCERA to return any employee contributions made by the Member on or after the earliest date of the commission of any felony described in subdivision (b) of Government Code section 7522.72. The return of any contributions will only be made on a qualifying distribution event as described in Government Code sections 7522.72, subdivision (d)(3) and 7522.74, subdivision (d)(3).

## SECTION II. ROLES & RESPONSIBILITIES

1. The Member and the prosecuting agency are required by law to notify the employer who employed the Member at the time of the commission of the felony within 60 days of the felony conviction and provide the employer all information required by the Felony Forfeiture Statutes. (Gov. Code §§ 7522.72, subdiv. (e)(1) § 7522.24, subdiv. (e)(1).)

2. The employer is required to notify SBCERA within 90 days of the Member's conviction. (Gov. Code §§ 7522.72, subdiv. (f) & 7522.24, subdiv. (f).) The employer, when notifying SBCERA of a conviction of the Member, will need to provide the following felony conviction information:

- a. Member's name and social security number;
- b. Termination date of employment;
- c. Earliest date of the commission of the felony;
- d. The court(s) in which the case was heard;
- e. The name and mailing address of the prosecuting agency (state and/or federal);
- f. Copy of communication received from the prosecuting agency;
- g. Description of the felony charges for which the Member was convicted;
- h. Date of conviction;
- i. Copy of court documents related to the Member's conviction/guilty plea;
- j. Statement of whether the felony offense was committed during the conduct or performance of the Member's job duties as described in Government Code sections 7522.72, subdiv. (b)(1) and (2) & 7522.74, subdiv. (b)(1) and (2).

3. Although the Felony Forfeiture Statutes require the employer to notify SBCERA of a Member's felony conviction, the media, third parties, or the Members themselves can notify SBCERA. When this occurs, SBCERA will reach out to the employer and ask for the felony conviction information listed in Section II (2)(a)-(j).

### SECTION III. PROCEDURE

Upon receipt of notification from any source of a felony conviction of a SBCERA Member, but before the benefits are adjusted in accordance with the Felony Forfeiture Statutes, the Chief Executive Officer (CEO) or designee will investigate and analyze the matter in consultation with Chief Counsel or designee and determine whether the conviction violates one or more of the Felony Forfeiture Statutes and/or other applicable law.

The investigation will be based on felony conviction information received from the employer in Section II.(2) and any other information the CEO or designee and Chief Counsel or designee determines is necessary to discharge its obligation under the Felony Forfeiture Statutes. The SBCERA Board of Retirement (Board) may exercise its subpoena power (Gov. Code sec. 31535) for this purpose.

If the CEO, in consultation with Chief Counsel, determines that a Member's conviction of a felony arises out of the conduct of his or her public employment, and falls under one of the Felony Forfeiture Statutes, then SBCERA will provide written notification to the Member, specifying the following:

- (i) The Felony Forfeiture Statute that applies to his or her SBCERA benefits;
- (ii) The first date of commission and date of conviction ;
- (iii) Documentary support for the conclusion that such Felony Forfeiture Statute applies or does not apply;
- (iv) Showing how the forfeiture is calculated;
- (v) The effective date of the changes to the Member's benefit; and,
- (vi) Informing the Member has the right and the time to appeal the determination, in which the SBCERA Board will decide the case.

Changes and adjustments to the Member's benefit, including collection of overpayments, will occur no later than 31 days after the time for the Member to appeal has lapsed, or as soon thereafter as is feasible in light of the specific facts of the case. However, the disbursement of contributions will only occur on a qualifying distribution event. (Gov. Code §§ 7522.72, subdiv. (d)(3) & 7522.74, subdiv. (d)(3).) If contributions are returned to the Member as result of the applicability of the Felony Forfeiture Statues and on a qualifying distribution event, SBCERA will notify the court and the district attorney at least three (3) business days before disbursement of funds. (Gov. Code §§ 7522.72, subdiv. (d)(2) & 7522.74, subdiv. (d)(2).)

The notice to the Member will include a copy of this policy.



#### SECTION IV. APPEAL

The Member is provided an opportunity to appeal the CEO's determination as specified in Section III of this policy. The Member has 60 days from the date of the CEO's written notification to appeal the decision to the SBCERA Board. If the Member does not appeal within the time prescribed, then on the 61<sup>st</sup> day from the date of the CEO's determination, SBCERA will make changes and adjustments to the Member's benefit as stated herein and required by the Felony Forfeiture Statutes.

In the event the Member appeals the CEO's determination as specified in Section III of this policy, the matter will be scheduled for determination by the SBCERA Board at a regularly scheduled meeting. Both SBCERA and the Member will have the opportunity to present evidence to the SBCERA Board; however, such evidence is required to be submitted no later than 14 days before the meeting in which this matter is scheduled to be heard. At such meeting, SBCERA will present its evidence, conclusion, and recommendation. The Member and his or her counsel, if represented, will be provided an opportunity to present to the SBCERA Board.

At this meeting, the SBCERA Board will take action on this matter based on the information presented. The SBCERA Board's decision is final as of the date the SBCERA Board took action on this matter. Judicial review of the SBCERA Board's final decision shall be subject to Code of Civil Procedure 1094.6. Following each decision, the CEO or designee shall send written notice of the Board's decision.

Recategorized as Benefits Policy No. 033 (Effective 01/09/2020)



**POLICY NO.** 021  
**Committee:** Admin. Committee  
**Policy Category:** Administration  
**Approved.**

**Issue No.** 1.0  
**Effective Date:** 11/07/2019  
**Page(s)** 2

By: *Jamie Ruthford*  
Chair of the Board

**Subject: HANDLING OF PERSONALLY IDENTIFIABLE INFORMATION (PII)**

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## HANDLING OF PERSONALLY IDENTIFIABLE INFORMATION (PII)

### PURPOSE:

To provide guidelines for the use, access, and disclosure of Personally Identifiable Information (“PII”) in SBCERA’s possession related to members, beneficiaries and other related persons of record; members of the public; SBCERA employees and Board of Retirement trustees; and participating employers.

### BACKGROUND:

PII means information in any format that could reasonably be used to identify a person including, but not limited to, name, address, e-mail address, Social Security number, birth date, or any other combination of information, including personnel, medical, financial, or similar files protected by the right to privacy under applicable law. The policy is intended to strike an appropriate balance between the objectives of open government and the protection of the privacy rights of individuals.

### GUIDELINES:

There are a number of Federal and California laws that address privacy and security issues that significantly impact SBCERA. In the absence of any provision of applicable law to the contrary, SBCERA employees must handle PII in accordance with the following guidelines. SBCERA Legal Services shall be consulted in the determination of whether to disclose or withhold PII based upon the application of these guidelines and state and federal law.

1. PII shall not be disclosed to anyone for any reason unless: there is a written authorization by the individual whose privacy interest is at stake; SBCERA receives an order of a court of competent jurisdiction; the disclosure is required under the California Public Records Act; or it is necessary for the administration of the system.
2. All SBCERA vendors, partner agencies, or other parties, subject to contractual terms, who may have access to or are exposed to PII maintained by SBCERA, shall be required to execute a non-disclosure/confidentiality agreement.

**CONSEQUENCES:**

The deliberate or negligent mishandling or misuse of PII by an SBCERA employee is considered misconduct and may subject the employee to discipline, up to and including termination, or Board action.

Unauthorized access, including data breach, or improper disclosure of PII shall be reported to the Chief Executive Officer, Chief Counsel, Chief Information Officer, SBCERA Board, and, depending on the severity of the breach and if required by law, to the affected person(s). Upon discovery of the unauthorized access or disclosure, SBCERA and/or its vendor shall take prompt corrective action to mitigate any risks or damages involved, and any further action as required by applicable law.